VERMONT

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ending JUNE 30, 2010

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The cover picture was provided by
Jamie Sheltra, Waterbury

STATE OF VERMONT

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ending JUNE 30, 2010

James H. Douglas
Governor

Prepared by the Department of Finance and Management

STATE OF VERMONT
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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VERMONT

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Agency of Administration

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LETTER OF TRANSMITTAL

To the Honorable James H. Douglas, Governor,
The Honorable Brian Dubie, Lieutenant Governor,
Chairs of House Committees on Appropriations, Institutions and Ways and Means,
Senate Committees on Appropriations, Finance and Institutions, and
The Citizens of the State of Vermont:

I am pleased to present the Comprehensive Annual Financial Report (CAFR) of the State of Vermont for the fiscal year ended June 30, 2010. The Department of Finance and Management prepared this report as required by Title 32, Vermont Statutes Annotated, Section 182(a)(8). By issuing this report by December 31, 2010, the Department has met the State statutorily required issuance date. The Department prepared these financial statements and assumes responsibility for the completeness and reliability of the information presented in this report. To provide a reasonable basis for making these representations, the Department has established a comprehensive internal control framework that is designed to protect the State's assets from loss, theft, or misuse and to compile sufficient reliable information for the presentation of this report in accordance with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). Because the cost of internal controls should not outweigh their benefits, Vermont's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements are free of material misstatement. I believe that the accompanying financial statements are accurate and fairly stated in all material respects, and presented in a manner designed to fairly report the State of Vermont's financial position, results of operations and changes in net assets/fund balances.

I would like to direct your attention toward two important items contained in this CAFR. The first item is the Management and Discussion Analysis (MD&A) that follows the Independent Auditors' Report. This analysis is designed to give you, the reader, an overview of the State's financial position, described in understandable terms, in order to help you better understand the results of operations of your state government. Secondly, I would like to direct your attention to the Basic Financial Statements (BFS) which follow the MD&A. The Basic Financial Statements were prepared in conformity with (GAAP) as prescribed by the GASB. The BFS contain government-wide statements that present the State's financial activities in a manner similar to that of a private corporation; fund statements that report governmental, proprietary, fiduciary fund financial activity; component unit financial activity; and note disclosures that explain and enhance the basic financial statements.

In addition to the MD&A and BFS, this CAFR includes a Required Supplementary Information (RSI) section, a Other Supplementary Information section, and a Statistical section. The RSI section contains a Schedule of Funding Progress for the State's defined benefit pension and other postemployment benefits plans, and Budget to Actual comparison schedules for the State's major governmental funds with Notes reconciling budgetary fund balance to the governmental funds GAAP fund balance. The Other Supplementary Information section contains combining fund financial statements for the

State's non-major Governmental, Proprietary, and Fiduciary Funds, and for the State's non-major component units. The Statistical section presents data relating to financial trends, revenue and debt capacity, and demographic and operating information about the State of Vermont. It should be noted that the information contained in the MD&A, RSI and Statistical sections is unaudited.

This CAFR includes the funds and entities for which the State is accountable based on GASB's criteria for defining the financial reporting entity. The criteria include fiscal dependence, financial accountability and legal standing. Please refer to Note 1, for more information regarding the reporting entity and the component units.

State Profile

Vermont, known as the Green Mountain State, was first settled by the French in 1666, then by the English in 1690, and joined the Union as the fourteenth State in 1791. Rural in character, the state measures 9,249 square miles of land area, and, as of July 1, 2009, had an estimated population of 621,760. The State capital is Montpelier, and the largest city is Burlington. As of calendar year 2009, 90.4% of Vermonters aged 25 or older are at least high school graduates which ranks 6th in the United States while 33.1% have at least a college bachelor's degree which ranks 8th in the United States.

The State Constitution provides for three traditional branches of Government – the Legislative, the Executive, and the Judicial. The Legislative branch is comprised of the House of Representatives (150 members) and the Senate (30 members); all are elected for two-year terms. The Executive branch includes six elected officers – the Governor, Lieutenant Governor, Treasurer, Secretary of State, Auditor of Accounts, and the Attorney General – all elected for two year terms, without term limitations. The Governor is responsible for the faithful execution of all laws and the management of the departments and agencies of the Executive Branch – including the agencies of Administration, Transportation, Natural Resources, Commerce and Community Development, Human Services, as well as other agencies and departments – through which the functions of the state government are carried out. The Judicial branch of the state is made up of a Supreme and Superior Courts, and the Judicial Bureau. The judges are appointed by the Governor with the advice and consent of the Senate, and serve six-year terms.

Budget Adoption and Legal Compliance/Budgetary Results

The Required Supplementary Information section includes Budget to Actual comparison schedules for the General Fund and the five major special revenue funds. The State's budgeting process is described in the Notes to the Budget to Actual comparison schedules. These schedules present each fund's original budget, final budget, actual expenditures incurred on a budgetary basis, and the variance between the final budget and actual expenditures incurred. As the adopted budget provides legal control over spending, expenditures cannot exceed amounts appropriated under Vermont law. Budgetary control is exercised by fund within appropriation.

The General Fund

The General Fund accounts for all revenues and other receipts that are not required by law to be accounted for or deposited in other funds as well as the expenditures associated with these revenues. In fiscal year 2010, general fund tax revenues accounted for 96.5% of total general fund revenues. The three principal tax revenue contributors – the personal income tax, the general fund's portion of the sales and use tax, and the meals and room tax – accounted for 80.5% of general fund total tax revenues or approximately 77.7% of total General Fund revenues. General Fund expenditures used 70.0% of the total revenues, and these expenditures occurred in the following major governmental functional categories: General Government, Protection to Persons and Property, Human Services, Labor, General Education, Natural Resources, Commerce and Community

Development and Debt Service. The majority of the remainder of the resources provided from the 2010 General Fund revenues were transferred out to other funds and used for various purposes. Please see Note 3E for a summary of these transfers.

Economic Condition

The consensus revenue forecast for fiscal year 2010 was revised three times during the fiscal year given the uncertain economic and revenue environment that prevailed across the fiscal year. During fiscal year 2010, the Vermont economy stabilized and began its recovery from the harsh 2007-09 economic downturn. As a result, the pattern of downward revenue forecast revisions ended in November 2009, and the practice of interim quarter revenue forecast reviews was ended. The January 2010 consensus revenue forecast included a modest forecast upgrade for fiscal year 2010, and actual year end revenue collections in the General Fund and the Transportation Fund slightly exceeded those upwardly revised consensus forecast targets.

The consensus economic forecast for the Vermont economy is that it will continue its historically slow pace and uneven character throughout the rest of calendar year 2010 and for much of calendar year 2011. As the U.S. economic recovery is expected to begin to pick up momentum and begin to become more broad-based over the next 12 to 18 months, so too will the pace and character of the Vermont economic recovery. The State's unemployment rate is expected to remain well below both the U.S. and New England regional averages, despite an increase of nearly 4.0 percentage points over the course of the 2007-09 recession. The most recent consensus economic forecast has the State completing its labor market recovery by eclipsing its last payroll job peak by the 3rd quarter of calendar year 2013, crossing that point to begin a new period of labor market expansion

Long-term Financial Planning

As part of the State's long term financial planning, the Legislature created a Capital Debt Affordability Advisory Committee who is required to present to the Governor and General Assembly, no later than September 30 of each year, a recommendation as to the maximum amount of net tax-supported debt that the State may prudently issue for the ensuing fiscal year and which complies with the State's triple-A debt rating guidelines. The recommendation is calculated and presented in accordance with certain debt affordability guidelines and other matters that may be relevant to the proposed debt to be authorized. The current recommendation contains two recommendations for maximum debt, one for fiscal year 2012 alone and one for fiscal years 2012 and 2013 taken as a unit. This report may be viewed on the State Treasurer's website under Debt Management – Capital Debt Affordability Advisory Committee.

In the 2010 legislative session, the Capital Act contained $76.18 million in appropriations for capital construction and capital grants, with $71.825 million funded with general obligation bonds, and the remaining amount funded through transfers and reallocations from prior capital appropriations. Please see Note 8 for addition information of the State's bonded debt and Note 18 for information on bonds issued subsequent to June 30, 2010.

Independent Audit of These Financial Statements

KPMG LLP, an independent certified public accounting firm, performed an independent audit of the State's basic financial statements for the fiscal year ended June 30, 2010, with the assistance of the State Auditor's Office. The auditors have issued an unqualified opinion, the most favorable outcome of the audit process. The audit described in the auditors' report is not intended to meet all requirements of the Federal Single Audit Act of 1996. Rather, the Single Audit Report for the State is issued under separate cover.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Vermont for its comprehensive annual financial report for the fiscal year ended June 30, 2009. This was the second year that Vermont has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report involved the dedicated work of staff in the Department of Finance and Management, the Office of the State Treasurer, the Office of the Auditor of Accounts, and the support of all State agencies, departments, component units, the Legislature, and the Judiciary. We welcome inquiries concerning this report and the finances of the State of Vermont.

Sincerely,

James B. Reardon, CPA
Commissioner
December 20, 2010

Certificate of Achievement for Excellence in Financial Reporting

Presented to

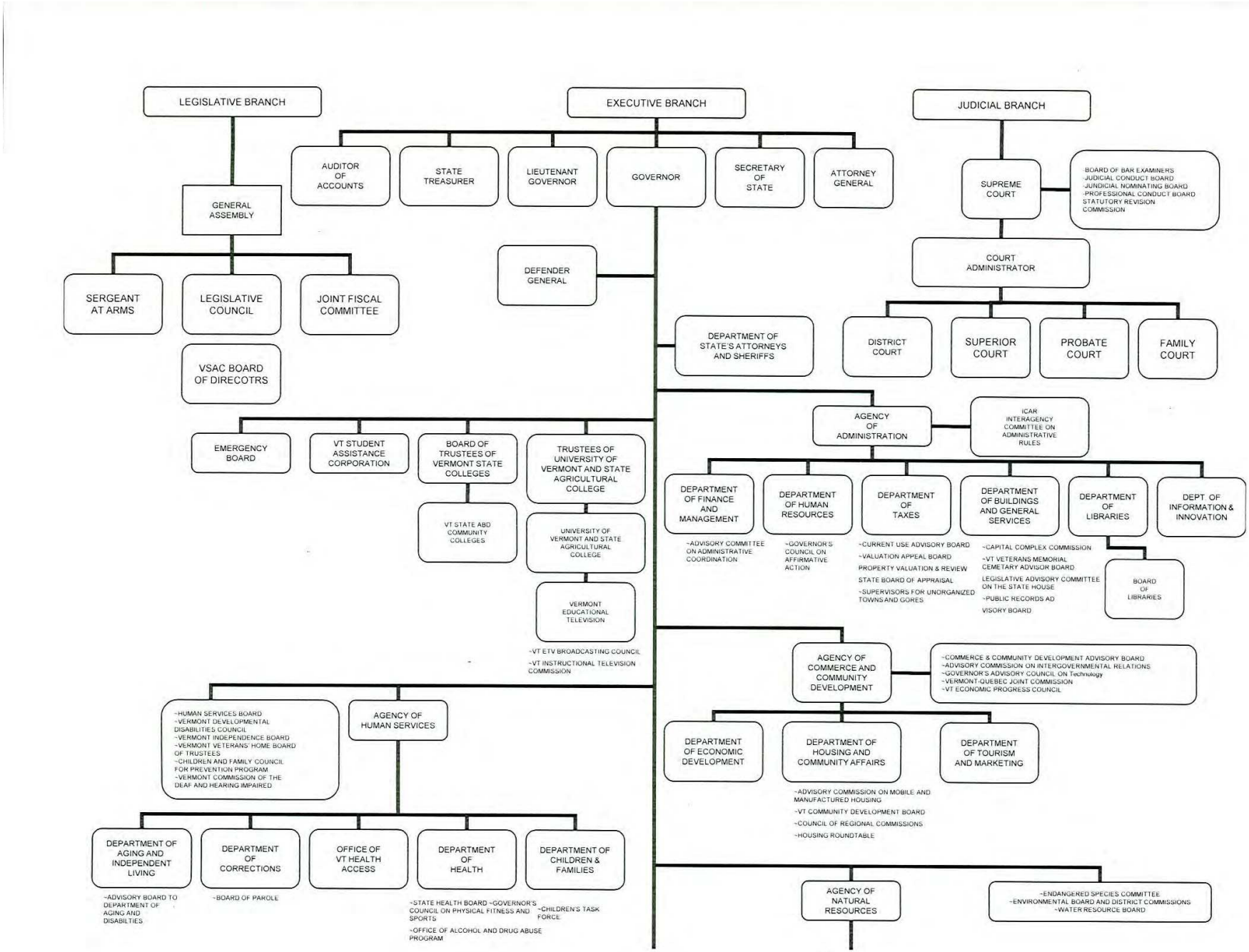
State of Vermont

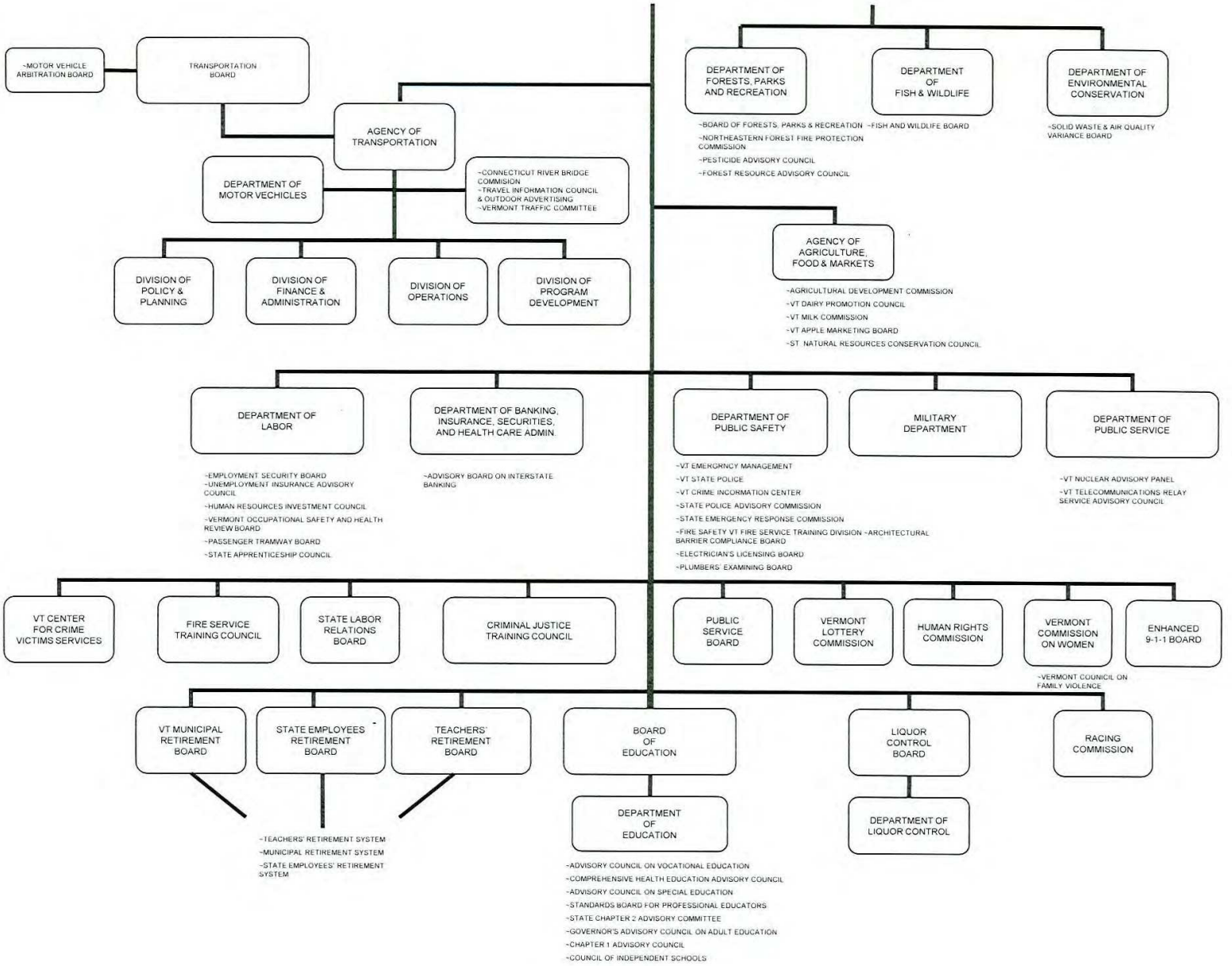
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director


LEGISLATIVE BRANCH
EXECUTIVE BRANCH
JUDICIAL BRANCH
GENERAL ASSEMBLY
SERGEANT AT ARMS
LEGISLATIVE COUNCIL
JOINT FISCAL COMMITTEE
VSAC BOARD OF DIRECOTRS
AUDITOR OF ACCOUNTS
STATE TREASURER
LIEUTENANT GOVERNOR
GOVERNOR
SECRETARY OF STATE
ATTORNEY GENERAL
DEFENDER GENERAL
DEPARTMENT OF STATE'S ATTORNEYS AND SHERIFFS
SUPREME COURT
-BOARD OF BAR EXAMINERS
-JUDICIAL CONDUCT BOARD
-JUNDICIAL NOMINATING BOARD
-PROFESSIONAL CONDUCT BOARD
STATUTORY REVISION COMMISSION
COURT ADMINISTRATOR
DISTRICT COURT
SUPERIOR COURT
PROBATE COURT
FAMILY COURT
EMERGENCY BOARD
VT STUDENT ASSISTANCE CORPORATION
BOARD OF TRUSTEES OF VERMONT STATE COLLEGES
VT STATE ABD COMMUNITY COLLEGES
TRUSTEES OF UNIVERSITY OF VERMONT AND STATE AGRICULTURAL COLLEGE
UNIVERSITY OF VERMONT AND STATE AGRICULTURAL COLLEGE
VERMONT EDUCATIONAL TELEVISION
-VT ETV BROADCASTING COUNCIL
-VT INSTRUCTIONAL TELEVISION COMMISSION
AGENCY OF ADMINISTRATION
ICAR INTERAGENCY COMMITTEE ON ADMINISTRATIVE RULES
DEPARTMENT OF FINANCE AND MANAGEMENT
-ADVISORY COMMITTEE ON ADMINISTRATIVE COORDINATION
DEPARTMENT OF HUMAN RESOURCES
-GOVERNOR'S COUNCIL ON AFFIRMATIVE ACTION
DEPARTMENT OF TAXES
-CURRENT USE ADVISORY BOARD
-VALUATION APPEAL BOARD
PROPERTY VALUATION & REVIEW
STATE BOARD OF APPRAISAL
-SUPERVISORS FOR UNORGANIZED TOWNS AND GORES
DEPARTMENT OF BUILDINGS AND GENERAL SERVICES
-CAPITAL COMPLEX COMMISSION
-VT VETERANS MEMORIAL CEMETARY ADVISOR BOARD
LEGISLATIVE ADVISORY COMMITTEE ON THE STATE HOUSE
-PUBLIC RECORDS AD
VISORY BOARD
DEPARTMENT OF LIBRARIES
BOARD OF LIBRARIES
DEPT. OF INFORMATION & INNOVATION
AGENCY OF COMMERCE AND COMMUNITY DEVELOPMENT
-COMMERCE & COMMUNITY DEVELOPMENT ADVISORY BOARD
-ADVISORY COMMISSION ON INTERGOVERNMENTAL RELATIONS
-GOVERNOR'S ADVISORY COUNCIL ON Technology
-VERMONT-QUEBEC JOINT COMMISSION
-VT ECONOMIC PROGRESS COUNCIL
DEPARTMENT OF ECONOMIC DEVELOPMENT
DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
-ADVISORY COMMISSION ON MOBILE AND MANUFACTURED HOUSING
-VT COMMUNITY DEVELOPMENT BOARD
-COUNCIL OF REGIONAL COMMISSIONS
-HOUSING ROUNDTABLE
DEPARTMENT OF TOURISM AND MARKETING
-HUMAN SERVICES BOARD
-VERMONT DEVELOPMENTAL DISABILITIES COUNCIL
-VERMONT INDEPENDENCE BOARD
-VERMONT VETERANS' HOME BOARD OF TRUSTEES
-CHILDREN AND FAMILY COUNCIL FOR PREVENTION PROGRAM
-VERMONT COMMISSION OF THE DEAF AND HEARING IMPAIRED
AGENCY OF HUMAN SERVICES
DEPARTMENT OF AGING AND INDEPENDENT LIVING
-ADVISORY BOARD TO DEPARTMENT OF AGING AND DISABILTIES
DEPARTMENT OF CORRECTIONS
-BOARD OF PAROLE
OFFICE OF VT HEALTH ACCESS
DEPARTMENT OF HEALTH
-STATE HEALTH BOARD
-GOVERNOR'S COUNCIL ON PHYSICAL FITNESS AND SPORTS
-CHILDREN'S TASK FORCE
-OFFICE OF ALCOHOL AND DRUG ABUSE PROGRAM
DEPARTMENT OF CHILDREN & FAMILIES
AGENCY OF NATURAL RESOURCES
-ENDANGERED SPECIES COMMITTEE
-ENVIRONMENTAL BOARD AND DISTRICT COMMISSIONS
-WATER RESOURCE BOARD


-MOTOR VEHICLE ARBITRATION BOARD
TRANSPORTATION BOARD
AGENCY OF TRANSPORTATION
DEPARTMENT OF MOTOR VECHICLES
-CONNECTICUT RIVER BRIDGE COMMISION
-TRAVEL INFORMATION COUNCIL & OUTDOOR ADVERTISING
-VERMONT TRAFFIC COMMITTEE
DIVISION OF POLICY & PLANNING
DIVISION OF FINANCE & ADMINISTRATION
DIVISION OF OPERATIONS
DIVISION OF PROGRAM DEVELOPMENT
DEPARTMENT OF FORESTS, PARKS AND RECREATION
DEPARTMENT OF FISH & WILDLIFE
DEPARTMENT OF ENVIRONMENTAL CONSERVATION
-BOARD OF FORESTS, PARKS & RECREATION
-FISH AND WILDLIFE BOARD
-NORTHEASTERN FOREST FIRE PROTECTION COMMISSION
-PESTICIDE ADVISORY COUNCIL
-FOREST RESOURCE ADVISORY COUNCIL
-SOLID WASTE & AIR QUALITY VARIANCE BOARD
AGENCY OF AGRICULTURE, FOOD & MARKETS
-AGRICULTURAL DEVELOPMENT COMMISSION
-VT DAIRY PROMOTION COUNCIL
-VT MILK COMMISSION
-VT APPLE MARKETING BOARD
-ST. NATURAL RESOURCES CONSERVATION COUNCIL
DEPARTMENT OF LABOR
DEPARTMENT OF BANKING, INSURANCE, SECURITIES, AND HEALTH CARE ADMIN.
-EMPLOYMENT SECURITY BOARD
-UNEMPLOYMENT INSURANCE ADVISORY COUNCIL
-HUMAN RESOURCES INVESTMENT COUNCIL
-VERMONT OCCUPATIONAL SAFETY AND HEALTH REVIEW BOARD
-PASSENGER TRAMWAY BOARD
-STATE APPRENTICESHIP COUNCIL
-ADVISORY BOARD ON INTERSTATE BANKING
DEPARTMENT OF PUBLIC SAFETY
MILITARY DEPARTMENT
DEPARTMENT OF PUBLIC SERVICE
-VT EMERGENCY MANAGEMENT
-VT STATE POLICE
-VT CRIME INFORMATION CENTER
-STATE POLICE ADVISORY COMMISSION
-STATE EMERGENCY RESPONSE COMMISSION
-FIRE SAFETY VT FIRE SERVICE TRAINING DIVISION -ARCHITECTURAL BARRIER COMPLIANCE BOARD
-ELECTRICIAN'S LICENSING BOARD
-PLUMBERS' EXAMINING BOARD
-VT NUCLEAR ADVISORY PANEL
-VT TELECOMMUNICATIONS RELAY SERVICE ADVISORY COUNCIL
VT CENTER FOR CRIME VICTIMS SERVICES
FIRE SERVICE TRAINING COUNCIL
STATE LABOR RELATIONS BOARD
CRIMINAL JUSTICE TRAINING COUNCIL
PUBLIC SERVICE BOARD
VERMONT LOTTERY COMMISSION
HUMAN RIGHTS COMMISSION
VERMONT COMMISSION ON WOMEN
ENHANCED 9-1-1 BOARD
-VERMONT COUNCIL ON FAMILY VIOLENCE
VT MUNICIPAL RETIREMENT BOARD
STATE EMPLOYEES RETIREMENT BOARD
TEACHERS' RETIREMENT BOARD
BOARD OF EDUCATION
LIQUOR CONTROL BOARD
RACING COMMISSION
-TEACHERS' RETIREMENT SYSTEM
-MUNICIPAL RETIREMENT SYSTEM
-STATE EMPLOYEES' RETIREMENT SYSTEM
DEPARTMENT OF EDUCATION
DEPARTMENT OF LIQUOR CONTROL
-ADVISORY COUNCIL ON VOCATIONAL EDUCATION
-COMPREHENSIVE HEALTH EDUCATION ADVISORY COUNCIL
-ADVISORY COUNCIL ON SPECIAL EDUCATION
-STANDARDS BOARD FOR PROFESSIONAL EDUCATORS
-STATE CHAPTER 2 ADVISORY COMMITTEE
-GOVERNOR'S ADVISORY COUNCIL ON ADULT EDUCATION
-CHAPTER 1 ADVISORY COUNCIL
-COUNCIL OF INDEPENDENT SCHOOLS

SELECTED STATE OFFICIALS
As of June 30, 2010

EXECUTIVE

James H. Douglas
Governor

Brian L. Dubie
Lieutenant Governor

Deborah L. Markowitz
Secretary of State

William H. Sorrell
Attorney General

Thomas M. Salmon
Auditor of Accounts

George B. "Jeb" Spaulding
State Treasurer

JUDICIAL

Paul L. Reiber
Chief Justice

LEGISLATIVE

Peter Shumlin
President Pro Tempore of the State Senate
(30 Senators)

Shap Smith
Speaker of the House of Representatives
(150 Representatives)

FINANCIAL SECTION

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Independent Auditors' Report

To the Speaker of the House of Representatives,
President Pro-Tempore of the Senate
and the Governor of the State of Vermont:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Vermont (the "State"), as of and for the year ended June 30, 2010, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component units identified in Note 1A. We also did not audit the financial statements of the Vermont Lottery Commission, the Special Environmental Revolving Fund, the Vermont Energy Efficiency Utility Fund, the Vermont Universal Service Fund, the Vermont Information Technology Leaders, Inc., or the Tri-State Lotto Commission. The discretely presented component units identified in Note 1A represent 62% of the total assets and 37% of the total revenues of the aggregate discretely presented component units. The Vermont Lottery Commission represents 100% of the total assets and revenues of the Vermont Lottery Commission Fund and 12% of the total assets and 27% of the total revenues of the business-type activities. The Special Environmental Revolving Fund represents 69% of total assets and 3% of total revenues of the Federal Revenue Fund, the Vermont Energy Efficiency Utility Fund, the Vermont Universal Service Fund and the Vermont Information Technology Leaders, Inc. represent 11% of total assets and 11% of total revenues of the Special Fund and collectively represent 10% of total assets and 2% of total revenues of the governmental activities. The Tri-State Lotto Commission represents 100% of the information disclosed in Note 13. Those financial statements were audited by other auditors whose reports thereon have been furnished to us and, our opinions, insofar as they relate to the amounts and disclosures included for those discretely presented component units, the Vermont Lottery Commission, the Special Environmental Revolving Fund, the Vermont Energy Efficiency Utility Fund, the Vermont Universal Service Fund, the Vermont Information Technology Leaders, Inc., or the Tri-State Lotto Commission, are based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control over financial reporting. Accordingly, we express no opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

KPMG LLP is a Delaware limited liability partnership, the U.S. member firm of KPMG International Cooperative ("KPMG International"), a Swiss entity.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Vermont as of June 30, 2010, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As disclosed in note 1, the State adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 51 *Accounting and Financial Reporting for Intangible Assets* and Statement No 53, *Accounting and Financial Reporting for Derivative Instruments* as of July 1, 2009.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 20, 2010 on our consideration of the State's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and Required Supplementary Information, listed in the accompanying table of contents, are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the Management's Discussion and Analysis and Required Supplementary Information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Vermont's basic financial statements. The introduction section, other supplementary information, and statistical section, listed in the accompanying table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of the other auditors, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introduction section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

KPMG LLP

December 20, 2010

Vt Reg No. 92-0000241

INTRODUCTION

We are pleased to present this analysis and discussion of Vermont's financial performance for the fiscal year ending June 30, 2010. This Management, Discussion & Analysis (MD&A) section is intended to serve as an introduction to the State's basic financial statements, which have the following components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The MD&A is designed to assist the reader in focusing on significant financial matters, provide an easily readable overview of the State's financial activities, identify any material changes from the original budget, and highlight financial matters that occurred during fiscal year 2010. The following presentation is by necessity highly summarized, and in order to gain a thorough understanding of the State's financial condition, the following financial statements, notes and required supplementary information should be reviewed in their entirety.

FINANCIAL HIGHLIGHTS

Vermont reported net assets of $1.325 billion, comprised of $2.810 billion in total assets offset by $1.485 billion in total liabilities at June 30, 2010 (Table 1).

The primary government's net assets have increased by $81.7 million as a result of this year's operations. The net assets for governmental activities increased $159.7 million and net assets for business activities decreased by $78 million (Table 2).

The State's governmental funds reported a combined ending fund balance of $468.4 million, an increase of 32 percent over last year. Of this amount, $322.5 million is available for spending at the State's discretion (unreserved fund balance).

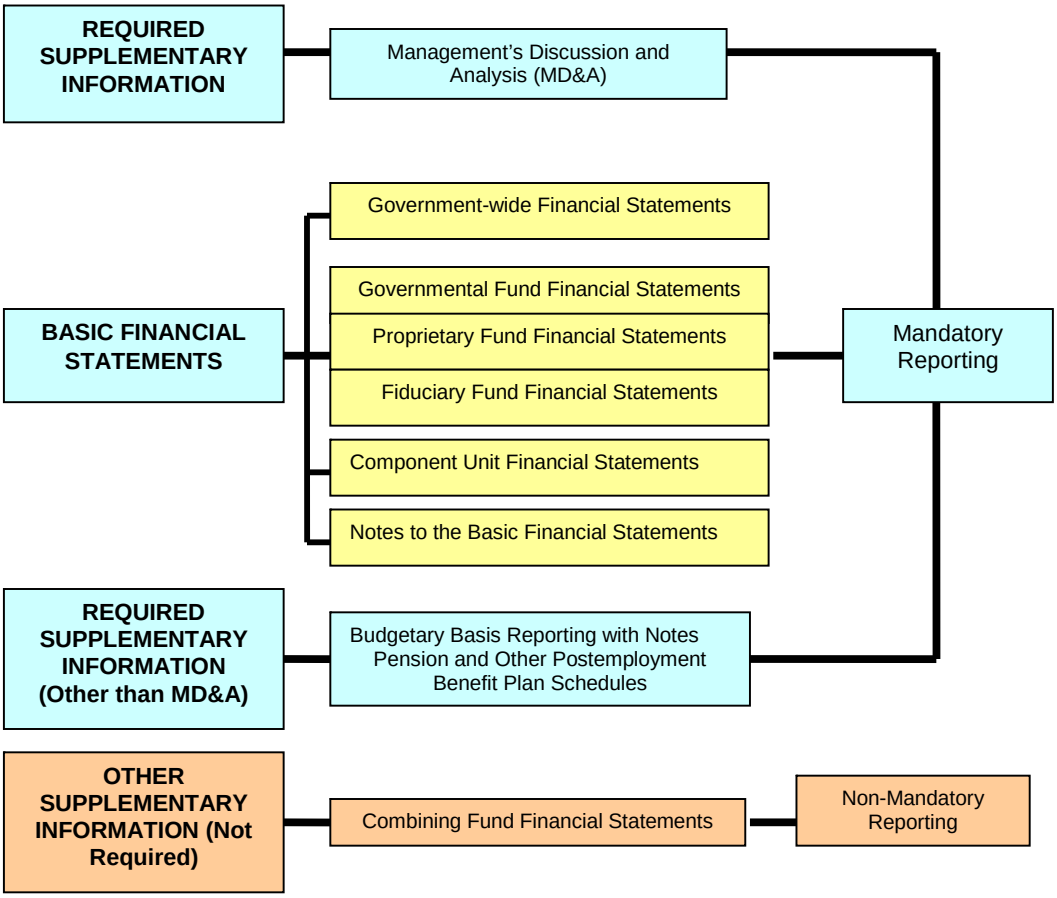
The State's General Fund reported an operating deficit this year of $10.2 million which decreased the accumulated fund balance to $139.7 million, of which $67.2 million is reserved for specific purposes.

The State's debt outstanding for General Obligation Bonds increased $19.8 million as compared to fiscal year 2009.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Comprehensive Annual Financial Report (CAFR) consists of a series of financial statements and supplementary information. The financial section contains the Independent Auditor's Report, this discussion and analysis section, the basic financial statements (BFS) with required supplementary information (RSI), other supplementary information, and a statistical section. Additional information regarding the above sections may be found below as well as in the notes to the financial statements.

The layout and relationship of the financial statements and supplementary information is presented in the following diagram. Notice the relationships between the various elements of the CAFR, such as "mandatory versus non-mandatory" reporting, or "required versus not required" supplementary information. This diagram is designed to illustrate how the various elements of the state's financial activity fit together in this CAFR.



Basic Financial Statements

Vermont's basic financial statements (BFS) consist of four components: 1) government-wide financial statements, 2) fund financial statements, 3) component units' financial statements, and 4) notes to the financial statements. The fund financial statements include governmental, proprietary, and fiduciary types of funds that will be described later in this analysis. Notes to the financial statements provide explanations and/or additional detail for all of the above type financial statements and are considered an integral part of the financial statements.

1) Government-Wide Financial Statements

Vermont's government-wide financial statements, which follow this MD&A section, are designed to present a broad view of the State's operations and financial position in a manner similar to the accounting principles used by most private-sector business. All of the State's activities except its fiduciary funds' activities are reported in the government-wide statements. Fiduciary activities are not included because the resources of these funds are not available to support the State's own programs.

The government-wide statements contain both short-term and long-term information about the State's financial position and assist in assessing the State's economic condition at the end of each fiscal year. The State prepares these statements using the "flow of economic resources" measurement focus and the accrual basis of accounting. This basically means that the methods utilized to prepare these statements are similar to those used by most private sector businesses in preparing their financial statements. They take into account all financial activity connected with the reported fiscal year including revenues, expenses, transfers, sales or acquisitions of

capital assets, and any other activity affecting or possibly affecting the financial condition of the State, even if cash involved has not been received or paid. The government-wide financial statements present two statements:

The *Statement of Net Assets* presents a snapshot of both the primary government's and its component units' assets and liabilities, as of the date of this report, with the difference between the assets and liabilities reported as "net assets". Over time, increases or decreases in the primary government's net assets may serve as an indicator as to whether the financial position of the State is improving or deteriorating.

The *Statement of Activities* presents the reported year's financial activity and hence, the reason(s) for the changes in net assets included on the Statement of Net Assets. All changes in financial activities are recognized as soon as the underlying event(s) giving rise to the changes occur, regardless of the timing of related cash flows. Thus, some revenues and expenses reported in this statement will not result in cash flows until future fiscal periods. This statement also presents the relationship between the State's major expenditure functions and the associated sources of program revenues associated with each expenditure function.

Both of the above financial statements segregate Vermont's financial activity into three categories: governmental activities, business-type activities, and discretely presented component unit activities. The governmental activities and business-type activities are combined to report on what is termed *primary government activities* which are separate and distinct from the *component units' activities* of the discretely presented component units. For more information regarding discretely presented component units, please see Note 1 to the financial statements.

Primary Government Activities

Governmental Activities – The financial activities reported in this section generally represent those services (functions) normally performed by a government entity. These activities are classified as either major or non-major, depending upon their financial size as compared to each other and to the group as a whole. The governmental activities include public education, general government, public health services, legal and judiciary services, natural resources, public safety, regulatory services, social services, and public transportation. Taxes, grants, and intergovernmental revenues are the main sources of funding for these activities.

Business-Type Activities – These business-type activities of the State include the operations of Vermont's enterprise activities. For financial reporting purposes, these activities are classified as either major or non-major, depending upon their financial size as compared to each other and to the group as a whole. Activities categorized as major include the Unemployment Compensation Trust Fund program, Liquor Control, and the State Lottery Commission. Activities reported as non-major include the federal surplus property program, publishing Vermont Life magazine, making equipment loans to municipalities, and several other activities. Both major and non-major activities normally recover all or a portion of their costs through user fees and charges to the external consumers of their goods and services, much like a private business.

Component Units' Activities

Discretely Presented Component Units – These are legally separate (incorporated) entities for which the primary government has the ability to impose its will on the entity, receive a benefit from activities of the entity, or could receive a financial burden due to the activities of the entity. The State's discretely presented component units are presented in the aggregate in the government-wide statements. This aggregate total consists of three major and ten non-major component units. This categorization is determined by the relative size of the entities' assets, liabilities, revenues and expenses in relation to the total of all component units. Additional information or financial statements for each of these individual component units can be obtained from their respective administrative offices. Addresses and additional information about the State's component units are presented in Note 1 to the financial statements.

Blended Component Units – The State has one blended component unit, *Vermont Information Technology Leaders, Inc. (VITL)*, which provides services almost exclusively to the State. The financial position of VITL has

been blended within the Statement of Net Assets and Statement of Activities in the governmental activities column and in the special funds.

2) Fund Financial Statements
A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Similar to other state and local governments, Vermont uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The fund financial statements focus and report on the State's activities in more detail than the government-wide statements. All of the funds of the State have been divided into three categories for reporting purposes: governmental, proprietary, and fiduciary. In turn, the governmental and proprietary funds are divided into major and non-major categories as required by the Governmental Accounting Standards Board. For the governmental and proprietary funds, the major funds are reported in individual columns in the fund financial statements while the non-major funds are presented in a consolidated column in the fund financial statements. Combining schedules or statements in the Other Supplementary Information section present detailed non-major fund activity. Fiduciary funds are reported by fiduciary type (pension and other postemployment benefit trusts, investment trusts, private purpose trusts and agency funds) with combining schedules or statements for the individual pension, other postemployment benefit, and agency funds presented in the Other Supplementary Information section. It is important to note that these fund categories use different accounting methods and should be interpreted differently as described below.

The three categories of funds are Governmental Funds, Proprietary Funds, and Fiduciary Funds. Following is a brief overview of these three major categories of funds.

Governmental Funds
Most of the basic services provided by the State are accounted for in the governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources as well as the balances of resources available at the end of the fiscal year. This approach uses the "flow of current financial resources" measurement focus and the modified accrual basis of accounting. These statements provide a detailed short-term view of the State's finances that assist in determining whether there will be adequate financial resources available to meet the current needs of the State.

Because the time period focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented in the governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Schedules reconciling the governmental funds' Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances to their respective government-wide statements are provided on the pages immediately following each governmental fund financial statement to facilitate this comparison.

The State reports eighteen governmental funds of which six are classified as "major" governmental funds. These major funds are the General Fund, Transportation Fund, Education Fund, Special Fund, Federal Revenue Fund and Global Commitment Fund. Each major fund is presented in a separate column in the Governmental Funds' *Balance Sheet* and in the *Statement of Revenues, Expenditures, and Changes in Fund Balance*. The "non-major" governmental funds include the Fish and Wildlife Fund, two capital projects funds, and nine permanent funds and are presented in one consolidated column in the governmental fund statements. Combining and individual non-major governmental fund statements are reported in the Other Supplementary Information section of this report.

The governmental funds' financial statements immediately follow the government-wide financial statements.

Proprietary Funds
This category of funds includes enterprise funds (business-type) and internal service funds. These funds report activities that operate much like those of commercial enterprises. These funds' financial reports include a *Statement of Net Assets;* a *Statement of Revenues, Expenses and Changes in Net Assets*; and a *Statement of Cash Flows*.

Enterprise funds provide the same type of information as the business-type activities section in the government-wide financial statements, only in more detail and at the fund level. Like the government-wide financial statements, enterprise fund financial statements use the accrual basis of accounting. Enterprise funds account for services provided to the general public, government, and non-State government entities. They normally derive their revenue by charging user fees in order to cover the costs of their services.

The State reports eight enterprise funds of which three are reported as major funds in separate columns on the proprietary fund statements. These three are the Unemployment Compensation Fund, the Liquor Control Fund, and the Vermont Lottery Commission. The other five enterprise funds are reported as "non-major funds" and are consolidated into one column on the proprietary fund statements.

Internal service funds are used to report activity that provides goods and services to other funds, departments, or agencies of the primary government and its component units, or to other governments on a cost reimbursement basis. Because the activities in these funds primarily benefit governmental activities, they have been combined with the governmental activities in the government-wide statements.

The State reports twenty-two internal service funds, which are reported in one consolidated column entitled "Governmental Activities – Total Internal Service Funds" on the Proprietary Funds Statement of Net Assets; Statement of Revenues, Expenses, and Changes In Net Assets; and Statement of Cash Flows.

The proprietary funds' financial statements immediately follow the governmental fund financial statements. Combining non-major enterprise and combining internal service fund statements may be found in the Other Supplementary Information section of this report.

Fiduciary Funds
The fiduciary funds are used to account for assets held by the State in a trustee capacity or as an agent for individuals, private organizations, other governmental units, or other funds. Fiduciary funds are excluded from the government-wide financial statements because the State cannot use these assets to finance its operations. The fiduciary funds use the accrual basis of accounting.

The State's fiduciary funds are divided into the following four basic categories: Pension and Other Postemployment Benefit Trust Funds (includes three separate defined benefit pension plans, three separate defined contribution pension plans, one defined benefit other postemployment benefit plan, and one defined contribution other postemployment benefit plan); an Investment Trust Fund (which reports only the external portion of the Vermont Pension Investment Committee investment pool); a Private Purpose Trust Fund (which reports only the Unclaimed Property Fund); and Agency Funds (eleven agency funds which account for the assets held for distribution by the State as an agent for other governmental units, organizations or individuals). These funds financial reports include a *Statement of Fiduciary Net Assets;* and a *Statement of Changes in Fiduciary Net Assets*.

The fiduciary funds financial statements can be found immediately following the proprietary funds financial statements. Individual pension and other postemployment benefit trust funds, and agency funds financial statements are reported in the Other Supplementary Information section of this report.

3) Discretely Presented Component Units' Financial Statements
As mentioned previously, the State has included the net assets and activities of four major component units in individual columns and ten non-major component units in a single column on the statements. The component units' financial statements can be found immediately after the fiduciary funds. Combining individual non-major

component units' financial statements can be found in Other Supplementary Information section of this report.

4) Notes to the Financial Statements
The notes provide additional information that is essential to a full understanding of the data presented in the government-wide and the fund financial statements. The notes to the financial statements can be found immediately following the component units' financial statements.

Required Supplementary Information Other Than MD&A
The basic financial statements are followed by a section of required supplementary information. This section includes:

The Schedule of Funding Progress for the three defined benefit pension trust funds and the Schedule of Employer Contributions for the past six years are included in the required supplementary information section. Also, this section includes the Schedule of Funding Progress for the other postemployment benefit plans.

Schedules for the General Fund and major Special Revenue Funds comparing their original budgeted amounts; final budgeted amounts; actual inflows, outflows, and balances stated on the budgetary basis; and variances between the final budgeted amounts and actual amounts presented on a budgetary basis. See Note 1, Section E for additional information regarding the budgetary process, including the budgetary basis.

Notes to Required Supplementary Information include a schedule reconciling the statutory fund balance presented on a budgetary basis to the fund balance prepared on a modified accrual basis as presented in the governmental fund financial statements for each major governmental fund.

Other Supplementary Information
Combining Financial Statements
The combining fund financial statements referred to earlier in connection with non-major funds and non-major component units are presented following the Required Supplementary Information section. The total columns of these combining financial statements carry to the applicable fund financial statement. These combining statements include the following:

Non-major governmental funds
Non-major proprietary (enterprise) funds
Internal service funds
Fiduciary funds (including individual pension and other postemployment benefit trust funds, and agency funds)
Non-major component units

Statistical Section
A statistical section containing selected financial, debt capacity, operating, economic and demographic information is presented immediately following the combining financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets
The State's (governmental and business-type activities) combined net assets total $1.325 billion at the end of 2010, as shown in Table 1. Approximately $1.458 billion of these combined net assets consist of the State's investment in capital assets such as land, buildings, equipment, and infrastructure (roads, bridges, and other immovable assets) less any related debt still outstanding that was used to acquire those assets. This investment in capital assets, net of related debt, represents resources used to provide services to citizens, and therefore is not available for future spending. Although the State's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the primary government's net assets (8.9 percent) represents resources that are subject to external restrictions on how they may be used. Internally imposed designations of resources are not presented as restricted net assets. The remaining balance of unrestricted net assets is a deficit of $251.4 million. This deficit balance decreased by $25.5 million from the previous year's unrestricted net asset deficit.

The governmental activities' negative unrestricted net assets balance is mainly the result of three actions: 1) long-term debt issued by the State for municipal, non-profit or component unit capital purposes, $212.7 million outstanding at June 30, 2010, that does not result in a governmental activities' capital asset, 2) the statutorily mandated restricting of net assets for the budget stabilization reserves ($97.4 million), and 3) the net Pension and OPEB liabilities (See Note 5).

The business type-activities' positive unrestricted net asset balance may be used to meet the State's ongoing obligation to its citizens and creditors.

At the end of fiscal year 2010, the State reported positive total net asset balances in its governmental activities, business-type activities, and discretely presented component units.

The following primary government condensed financial statement information is derived from the State's June 30, 2010 and 2009 government-wide Statement of Net Assets. Although the government-wide statements include discretely presented component unit activity, the component unit activity has not been included in these condensed statements.

TABLE 1
State of Vermont's Net Assets
(In Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Current assets	$ 729.0	$ 610.8	$ 49.0	$ 103.0	$ 778.0	$ 713.9
Other assets	371.0	345.9	4.8	5.2	375.3	351.1
Capital assets	1,655.0	1,494.5	0.9	0.9	1,655.9	1,495.4
Total assets	**2,755.0**	**2,451.2**	**54.8**	**109.2**	**2,809.8**	**2,560.4**
Long-term liabilities	1,012.5	880.9	34.6	4.5	1,047.1	885.4
Other liabilities	422.9	410.4	15.2	21.7	438.1	432.1
Total liabilities	**1,435.4**	**1,291.3**	**49.8**	**26.2**	**1,485.2**	**1,317.5**
Net assets:						
Invested in capital assets, net of related debt	1,456.8	1,318.7	0.9	0.9	1,457.8	1,319.6
Restricted	117.2	121.7	1.0	78.5	118.2	200.2
Unrestricted (deficit)	(254.5)	(280.6)	3.1	3.7	(251.4)	(276.9)
Total net assets	**$ 1,319.6**	**$1,159.9**	**$ 5.0**	**$ 83.0**	**$1,324.6**	**$1,242.9**

In 2010, governmental activities' revenues exceeded expenses by $136.4 million and received transfers of $23.4 million from business activities, resulting in a 13.8 percent increase in net assets. Business-type activities had an overall decrease in net assets of 93.98 percent, resulting from an operating shortfall of $54.7 million and by transfers out of $23.4 million to governmental activities, primarily from the Lottery ($21.6 million) to support education.

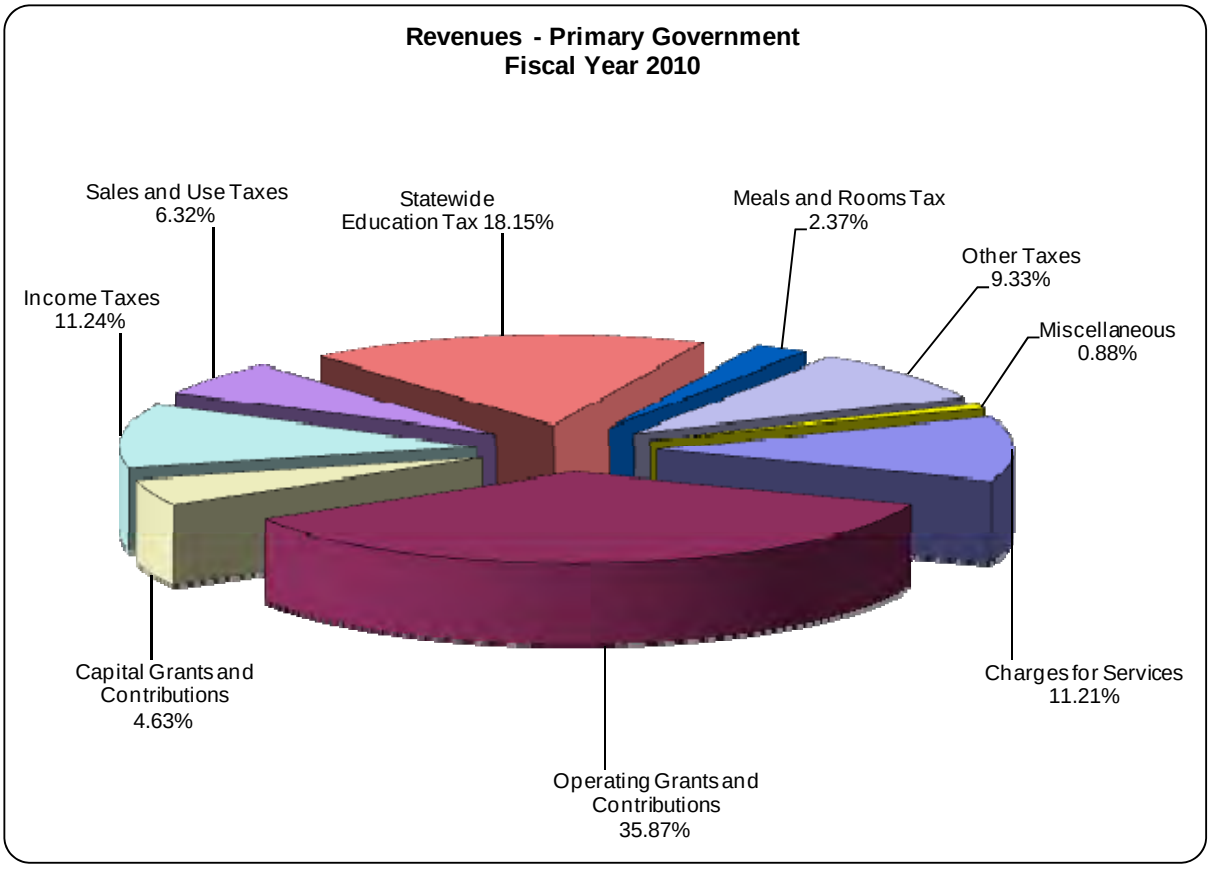
The following condensed table presents a comparison of activity for the fiscal years ended June 30, 2010 and 2009, and contains primary government data only.

TABLE 2
State of Vermont's Changes in Net Assets
(In Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Revenues						
Program revenues:						
Charges for services	$ 327.9	$ 318.1	$ 234.0	$ 264.0	$ 561.9	$ 582.2
Operating grants and contributions	1,669.6	1,315.5	128.6	-	1,798.1	1,315.5
Capital grants and contributions	232.2	165.8	-	0.1	232.2	165.9
General revenues:						
Income taxes	563.2	572.0	-	-	563.2	572.0
Sales and use taxes	316.8	317.6	-	-	316.8	317.6
Statewide education tax:						
Gross tax assessed	1,047.6	995.9	-	-	1,047.6	995.9
Income sensitivity adjustment	(137.9)	(119.5)	-	-	(137.9)	(119.5)
Meals and rooms tax	118.9	117.8	-	-	118.9	117.8
Other taxes	467.7	456.7	-	-	467.7	456.7
Miscellaneous	43.0	47.7	1.3	6.0	44.4	53.7
Total revenues	**4,649.0**	**4,187.8**	**364.0**	**270.2**	**5,012.8**	**4,458.0**
Expenses						
General government	169.3	116.8	-	-	169.3	116.8
Protection to persons and property	266.9	280.4	-	-	266.9	280.4
Human services	1,861.5	1,750.9	-	-	1,861.5	1,750.9
Labor	35.8	29.1	-	-	35.8	29.1
General education	1,688.3	1,657.3	-	-	1,688.3	1,657.3
Natural resources	73.0	98.1	-	-	73.0	98.1
Commerce and community development	71.8	33.3	-	-	71.8	33.3
Transportation	324.7	308.5	-	-	324.7	308.5
Public service enterprises	2.7	3.9	-	-	2.7	3.9
Interest on long-term debt	18.6	18.7	-	-	18.6	18.7
Unemployment compensation	-	-	293.7	214.6	293.7	214.6
Lottery commission	-	-	75.9	74.9	75.9	74.9
Liquor control	-	-	47.1	46.4	47.1	46.4
Other business-type expenses	-	-	1.9	2.5	1.9	2.5
Total expenses	**4,512.6**	**4,297.1**	**418.6**	**338.3**	**4,931.2**	**4,635.4**
Increase (decrease) in net assets before transfers	136.4	(109.3)	(54.7)	(68.1)	81.7	(177.4)
Transfers net in (out)	23.4	21.9	(23.4)	(21.9)	-	-
Change in net assets	**159.7**	**(87.3)**	**(78.1)**	**(90.1)**	**81.7**	**(177.4)**
Net assets, beginning of year	1,159.9	1,247.2	83.0	173.1	1,242.9	1,420.3
Net assets, end of year	**$ 1,319.6**	**$ 1,159.9**	**$ 5.0**	**$ 83.0**	**$1,324.6**	**$1,242.9**

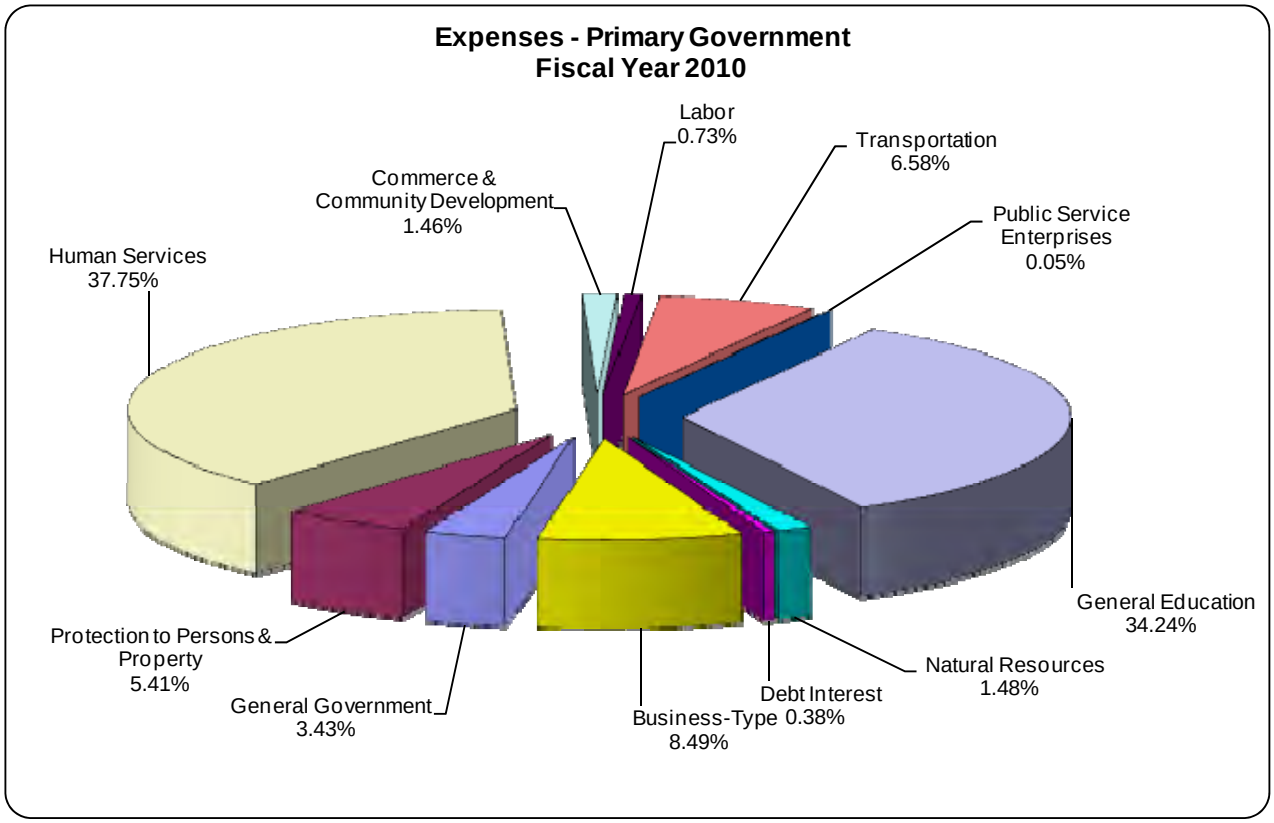
Totals may not add due to rounding.

The following graph illustrates the revenues of Vermont's primary government for fiscal year 2010. Approximately 40.5 percent comes from other entities and governments in the form of operating and capital grants and contributions (primarily federal grant revenues). An additional 29.39 percent of total revenues are generated by the statewide education and income taxes.



Percentages may not equal 100%, due to rounding.

The following graph illustrates the percentages of total primary government expenses for fiscal year 2010. The largest category of expense is for human services (37.75 percent of total expense) which provides for Vermont's low-income, elderly care services and persons in state custody in the form of grants for selected services such as food stamps, health care, housing and child protective services. The second most significant category of expense is for general education (34.24 percent of total expenses) which provides for Vermont's support to secondary and higher education.



Percentages may not equal 100%, due to rounding.

FINANCIAL ANALYSIS OF THE STATE'S INDIVIDUAL FUNDS

As noted earlier, the State of Vermont uses fund accounting to account for its ongoing operations and to demonstrate compliance with finance-related legal requirements imposed by both legislative mandates as well as externally imposed restrictions.

Governmental Funds

The focus of the State's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the State's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending. At the end of fiscal year 2010, the unreserved fund balance is 68.86 percent of the total fund balance of governmental funds, which is available for spending on governmental programs at the State's discretion in the coming year. The remainder of this fund balance has been reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders, for debt service, for the human services caseload reserve, for budget stabilization purposes, and for a variety of other purposes. At the end of fiscal year 2010, the State's governmental funds reported combined fund balances of $468.4 million, an increase of $112.5 million in comparison with the prior fiscal year.

The General Fund is the chief operating fund of the State. At the end of fiscal year 2010, the General Fund's total fund balance was $139.7 million and the unreserved portion of this fund balance was $72.5 million. Its remaining fund balance was made up of reservations totaling $67.2 million. The most significant reservations are: $57.3 million for budget stabilization and $5.7 million for encumbrances. During 2010, total expenditures and other financing uses surpassed revenues and other financing sources by $10.2 million.

The Special Fund's total fund balance at the end of fiscal year 2010 was $101 million, an increase of 5.99 percent in comparison with 2009. The Special Fund's total fund balance is comprised of $97 million as unreserved, and $4.1million in reserved for encumbrances. Special Fund revenues decreased $8.5 million and expenditures decreased $12.2 million compared to 2009 resulting in an increase in "excess of revenues over expenditures" of $3.7 million from last fiscal year. Fiscal year 2010 transfers out to other funds exceeded transfers in from other funds by $167.7 million. The Special Fund transferred $200.3 million to the Global Commitment Fund for a portion of the State's payment for Medicaid coverage under the Global Commitment to Health Medicaid waiver.

The Federal Revenue Fund accounts for all federal grants except those federal grants that are awarded to the Agency of Transportation (which are included in the Transportation Fund) and the Department of Fish and Wildlife (which are included in the Fish and Wildlife Fund, a non-major governmental fund). The Federal Revenue Fund's federal grant revenues for fiscal year 2010 were $1.663 billion, a 35 percent increase over fiscal year 2009's federal grant revenues. The Agency of Human Services' received 79.18 percent of the total federal grants revenue and transferred $709 million to the Global Commitment Fund for the payment of the Federal share of Medicaid expenditures under the Global Commitment to Health Medicaid waiver. The Federal Revenue Fund's total fund balance at the end of fiscal year 2010 ($109.1 million) was an increase of $76.3 million as compared to the total fund balance at the end of fiscal year 2009.

The fiscal year 2010 ending total fund balance for the Global Commitment Fund was $2.1 million. Net transfers in of $948.3 million exceeded expenditures of $916.8 million by $31.5 million which resulted in an elimination the $29.4 million deficit balance from the fiscal year 2009.

The Education Fund at June 30, 2010, had a total fund balance of $46.4 million, which represents a $1.8 million increase over fiscal year 2009's ending balance. Prior to fiscal year 2008, the State appropriated property tax relief payments directly to taxpayers based on taxpayer income levels and property taxes (income sensitivity). Beginning with fiscal year 2009, the State changed the methodology it used to implement income sensitivity as applied to property taxes. Now the State determines the amount each taxpayer is to receive based on their personal income tax return submissions and notifies each municipality of the amount each taxpayer is to have applied against their gross property tax bill. The municipality then applies this amount against the homeowner's gross property tax. The State pays the sensitivity amount to the municipality directly. The Education Fund's reserve for budget stabilization decreased $1.2 million to $29.8 million, the maximum allowed by statute.

The Transportation Fund's total fund balance was $19.2 million at June 30, 2010, an increase of $9 million from the fiscal year 2009 ending total fund balance. This increase was primarily the result of revenue exceeding expenditures by $14 million offset by transfers to other funds of $5 million. The Transportation Fund's reservation for budget stabilization decreased from $11.3 million to $10.3 million, the maximum allowed by statute.

See Note 1, Section E for more information regarding these funds.

Proprietary Funds

The State's *enterprise funds* provide the same type of information presented in the business-type activities in the government-wide financial statements, but in more detail. The Unemployment Compensation Trust Fund's total net asset balance declined from $78.5 million at June 30, 2009 to $1 million at June 30, 2010, a decline of $77.5 million in one year. This decrease was the result of unemployment benefit distributions exceeding unemployment tax assessments and other income.

The State's *internal service funds'* total net assets at June 30, 2010 were $289,152, a $2.5 million decrease from June 30, 2009. This decrease is primarily due to operating losses totaling $1.5 million, net non-operating revenues of $0.5 million and net transfers out to other funds of $1.5 million. It should be remembered that the internal service funds' activity has been combined with the governmental funds' activity in the government-wide financial statements.

Fiduciary Funds
The State's fiduciary funds account for resources held for the benefit of parties outside State government. The *pension and other postemployment benefit trust funds'* net assets increased by 14.84 percent to $2.957 billion at June 30, 2010. For more information regarding the State's retirement and other postemployment benefit plans, see Note 5 to the financial statements. The Unclaimed Property Fund's total assets balance at June 30, 2010 is $6.9 million, and total liabilities balance is $6.5 million, including the escheat property claims liability estimated at $6.4 million, resulting in ending net assets of $446,468. The Investment Trust Fund's total net assets at June 30, 2010, were $101.8 million. Net assets of all fiduciary funds are reported as held in trust for particular purposes.

GENERAL FUND BUDGET HIGHLIGHTS

The State ended fiscal year 2010 with General Fund revenues of $1.038 billion, expenditures of $836.9 million, and net transfers to other funds of $215.7 million. This was a $65.6 million decrease in revenues from the previous year. The fiscal year 2010 General Fund consensus revenue forecast initially approved by the Emergency Board in January 2009 was subsequently revised downward by the Emergency Board in April and July 2009, and then increased slightly at their November 2009 and January 2010 meetings. The revenue reductions were addressed by a rescission, a labor savings reduction plan, and an alternate savings plan. Compared to target, the revenues were 1.3 percent above the July 2009 revised revenue forecast of $1,024.6 million, and 0.7 percent above the January 2010 revenue forecast of $1,030.9 million. The higher than projected General Fund revenues were attributable to higher than expected Corporate Income Tax receipts ($11.7 million above target), Sales & Use Tax receipts ($1.0 million above target), and Meals & Rooms Tax receipts ($1.6 million above target), which were partially offset by a continued downturn in Personal Income Tax receipts ($6.0 million below target) and Estate Tax receipts ($2.6 million below target). The final revenue results allowed the State to fund $6.1 million in contingent one-time appropriations and $6.9 million in revenue enhancement and to reserve the remaining $15.2 million for fiscal year 2011 spending. The General Fund results allowed for a fully funded General Fund Budget Stabilization Reserve of $57.3 million, representing the statutory maximum of 5 percent of the prior year appropriations level.

PRIMARY GOVERNMENT'S CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets
The State investment in capital assets (net of accumulated depreciation) for its governmental and business-type activities as of June 30, 2010, was $1.656 billion, a total increase of 10.7 percent (Table 3). This investment in capital assets includes land, buildings, improvements, equipment, infrastructure and construction in progress. Infrastructure assets are items that are normally immovable and of value only to the State, such as roads, bridges, streets and sidewalks, drainage systems, lighting systems, and similar items.

Many component unit, municipal and non-profit organizations' capital construction projects and acquisitions are financed by the State, but the assets are actually owned by these other organizations. Therefore, these capital assets are recorded on the financial statements of these owning organizations and are not listed on the books of the State. But the general obligation bonds issued by the State to finance these capital assets are reported as a liability of the State's governmental activities. At June 30, 2010, the State had $212.7 million of general obligation bonds outstanding related to capital assets of these other organizations. Additional information on the State's capital assets can be found in Note 4 of the notes to the financial statements.

TABLE 3
Capital Assets at Fiscal Year End
(Net of depreciation, amounts in thousands)

	Governmental Activities		Business Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Land, Land Use Rights, and Land Improvements	$ 108,125	$ 77,468	$ -	$ -	$ 108,125	$ 77,468
Construction in Progress	396,092	344,421	-	304	396,092	344,725
Works of Art	136	136	-	-	136	136
Buildings and Improvements	222,290	220,750	29	35	222,319	220,785
Machinery and Equipment	49,762	50,234	916	829	50,678	51,063
Infrastructure	878,556	801,464	-	-	878,556	801,464
Totals	**$1,654,961**	**$1,494,475**	**$ 944**	**$ 1,168**	**$1,655,905**	**$ 1,495,641**

Totals may not add due to rounding.

Debt Administration
The State has no constitutional or other limit on its power to issue obligations or to incur debt besides borrowing only for public purposes. In 1990, the General Assembly created the Capital Debt Affordability Advisory Committee and made it responsible for overseeing the long-term capital planning for the State. Annually, the General Assembly passes appropriations for capital purposes and authorizes the State Treasurer to issue general obligation bonds to provide the financing for all or a portion of the appropriations. Bonds are backed by the full faith and credit of the State, including the State's power to levy additional taxes to ensure repayment of the debt.

During fiscal year 2010, the State of Vermont's outstanding general obligation bond debt increased by approximately $19.8 million. This increase can be accounted for by the issuance of $72 million of general obligation bonds, $38.8 million of refunding bonds and accretion of $1.0 million in principal on the State's capital appreciation bonds offset by the redemption of $52.9 million and defeasance of $39.1 million. Additional information on the State's bonded debt is contained in Note 8 of the notes to the financial statements.

The State's general obligation bond ratings are as follows: Aaa by Moody's Investor Service (since February 2008), AA+ by Standard & Poor's Ratings Services (since September 2000), and AA+ by Fitch Ratings (since October 1999).

ECONOMIC FACTORS AFFECTING THE STATE

Capital Debt Affordability
Annually the Capital Debt Affordability Advisory Committee (CDAAC) completes a review of the size and affordability of the State tax-supported general obligation debt. By October 1, the CDAAC submits to the Governor and to the General Assembly an estimate of the maximum amount of new long-term general obligation debt that prudently may be authorized for the next fiscal year. In September 2010, the CDAAC issued its recommendation by presenting two proposals, one for fiscal year 2012 alone and one for fiscal years 2012 and 2013 as a unit. The CDAAC proposed that the maximum amount of long-term general obligation debt authorized to be issued by the State in each of fiscal year 2012 and 2013 be $76.58 million or a total of $153.16 million for the two year period. However, it should be noted that the State will not meet its debt affordability guideline (projected Moody's 5-year median on a debt per capita basis for Triple-A rated states) in fiscal year 2012 to the extent the State issues more than $109.94 million. However, the guideline can be met in the subsequent fiscal years. See Note 19 – Subsequent Events for a listing of bonds issued subsequent to June 30, 2010.

Economic Outlook

Recent data on Vermont economic conditions indicate that the performance of the Vermont economy has generally tracked the developments in the U.S. economy overall during the past 12 to18 months since the State's last period of economic recession ended. Output activity and personal income during that period have turned around and started to increase again. Job market data also show that like the U.S. economy, Vermont's labor markets are likewise on the mend. The most recent available data show that Vermont's most recent recession appears to have ended around mid-year of calendar year 2009. However, since that point in time the State's labor markets have recovered only slowly and unevenly. The total peak-to-trough decline in payroll jobs for the State, assuming there is no future "double dip recession" in Vermont's labor markets, totaled more than 16,200 lost payroll jobs over a nine quarter period. While that level of total payroll job decline was not as severe as was originally expected in earlier forecasts of payroll job losses for the State's recession, the total job declines during the State's 2007-09 recession were in fact the most significant since the harsh New England-wide regional economic downturn of the early 1990s.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the State of Vermont's finances for all of Vermont's citizens, taxpayers, customers, and investors and creditors. This financial report seeks to demonstrate the State's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

State of Vermont
Department of Finance and Management
109 State Street, 5th Floor
Pavilion Building
Montpelier, Vermont 05609-0401

The State's component units issue their own separately issued financial statements. Their statements may be obtained by directly contacting them at the addresses found in Note 1 to the State's financial statements.

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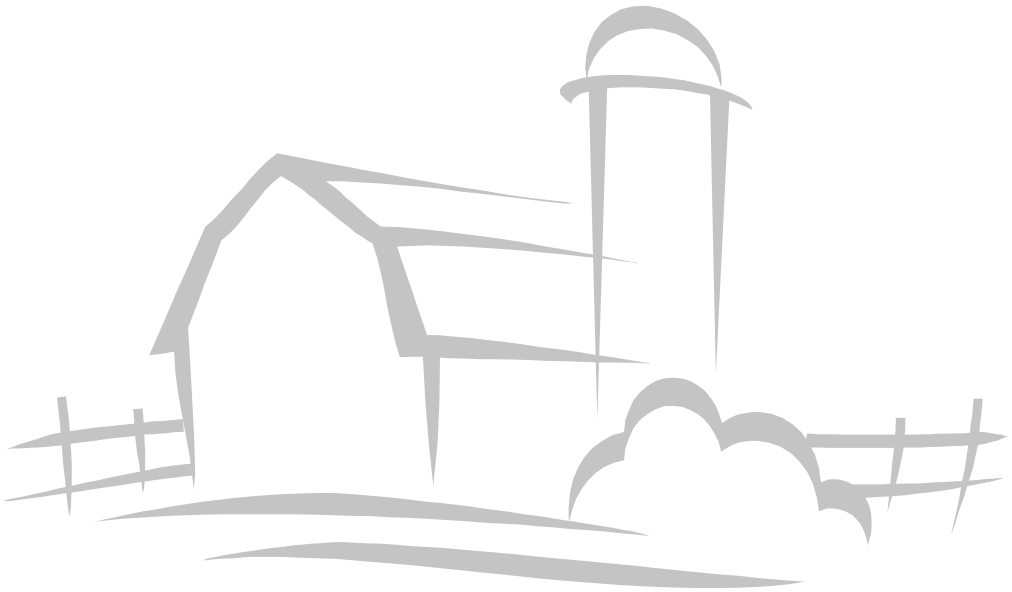

Vermont

BASIC FINANCIAL STATEMENTS

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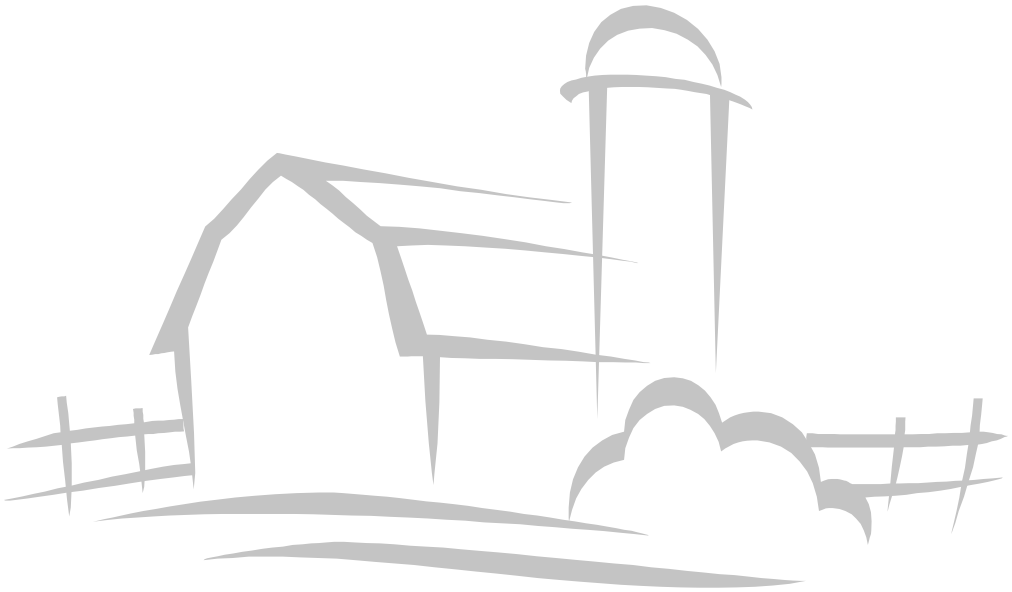

Vermont

GOVERNMENT-WIDE FINANCIAL STATEMENTS

STATE OF VERMONT
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Primary Government			Discretely Presented Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	$ 404,566,852	$ 21,442,823	$ 426,009,675	$ 293,438,324
Taxes receivable (net)	97,790,406	18,551,376	116,341,782	-
Loans and notes receivable (net)	41,359,716	853,734	42,213,450	244,868,855
Federal grants receivable	126,666,958	1,625,440	128,292,398	22,355,749
Other receivables (net)	22,622,480	3,222,501	25,844,981	116,721,456
Investments	29,961,924	-	29,961,924	78,282,228
Inventories	2,256,744	5,942,890	8,199,634	313,108
Internal balances	2,690,726	(2,690,726)	-	-
Receivable from primary government	-	-	-	3,817,695
Other current assets	1,098,105	79,480	1,177,585	41,399,344
Total current assets	729,013,911	49,027,518	778,041,429	801,196,759
Noncurrent assets:				
Cash and cash equivalents	-	539,829	539,829	217,435,392
Taxes receivable	99,674,062	-	99,674,062	-
Other receivables	54,583,969	70,764	54,654,733	-
Loans and notes receivable	167,752,843	1,899,162	169,652,005	3,451,781,309
Investments	38,703,022	2,279,384	40,982,406	477,876,011
Other noncurrent assets	10,307,496	-	10,307,496	32,043,472
Capital assets:				
Land	108,124,674	-	108,124,674	31,181,316
Construction in progress	396,092,246	-	396,092,246	3,828,702
Works of art	136,003	-	136,003	-
Capital assets being depreciated:				
Infrastructure	1,535,720,452	-	1,535,720,452	31,383,257
Property, plant and equipment	554,047,165	2,077,998	556,125,163	1,110,348,900
Less accumulated depreciation	(939,159,911)	(1,133,802)	(940,293,713)	(440,811,853)
Total capital assets, net of depreciation	1,654,960,629	944,196	1,655,904,825	735,930,322
Total noncurrent assets	2,025,982,021	5,733,335	2,031,715,356	4,915,066,506
Total assets	**2,754,995,932**	**54,760,853**	**2,809,756,785**	**5,716,263,265**

	Primary Government			Discretely Presented Component Units
	Governmental Activities	Business-type Activities	Total	
LIABILITIES				
Current liabilities:				
Accounts payable and other current liabilities	241,734,499	11,575,432	253,309,931	103,907,341
Income tax refunds payable	74,557,831	-	74,557,831	-
Payable to primary government	-	-	-	1,486,033
Payable to component units	2,331,662	-	2,331,662	-
Intergovernmental payable - due to federal government	7,369,452	-	7,369,452	-
Accrued interest payable	7,399,122	-	7,399,122	9,055,377
Current portion of long-term liabilities	87,887,536	2,916,696	90,804,232	612,616,352
Unearned revenue	1,606,612	727,674	2,334,286	30,804,893
Total current liabilities	422,886,714	15,219,802	438,106,516	757,869,996
Long-term liabilities:				
Lottery prize awards payable	-	1,776,380	1,776,380	-
Bonds, notes and leases payable	424,497,564	-	424,497,564	3,801,282,204
Compensated absences	11,253,273	143,379	11,396,652	-
Claims and judgments	31,155,317	-	31,155,317	-
Other long-term liabilities	545,609,795	32,657,065	578,266,860	158,665,542
Total long-term liabilities	1,012,515,949	34,576,824	1,047,092,773	3,959,947,746
Total liabilities	**1,435,402,663**	**49,796,626**	**1,485,199,289**	**4,717,817,742**
NET ASSETS				
Invested in capital assets, net of related debt	1,456,845,576	944,196	1,457,789,772	139,622,702
Restricted for:				
Unemployment compensation	-	963,433	963,433	-
Component unit net assets	-	-	-	728,750,550
Funds held in permanent investments:				
Expendable	12,389,282	-	12,389,282	-
Nonexpendable	7,416,453	-	7,416,453	-
Budget stabilization	97,443,772	-	97,443,772	-
Unrestricted (deficit)	(254,501,814)	3,056,598	(251,445,216)	130,072,271
Total net assets	**$ 1,319,593,269**	**$ 4,964,227**	**$ 1,324,557,496**	**$ 998,445,523**

The accompanying notes are an integral part of these financial statements.

STATE OF VERMONT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	$ 169,293,955	$ 22,036,719	$ 46,331,764	$ -
Protection to persons & property	266,916,086	137,883,482	53,678,446	(6,548)
Human services	1,861,516,845	20,497,786	1,291,327,176	-
Labor	35,774,409	9,262,212	28,148,259	-
General education	1,688,314,635	2,866,633	145,709,601	1,019,766
Natural resources	73,004,048	23,933,530	49,479,099	15,094,610
Commerce & community development	71,761,469	524,266	17,521,077	-
Transportation	324,660,328	108,228,996	37,397,955	216,047,423
Public service enterprises	2,731,930	2,677,086	-	-
Interest on long-term debt	18,599,135	-	-	-
Total governmental activities	4,512,572,840	327,910,710	1,669,593,377	232,155,251
Business-type activities:				
Vermont Lottery Commission	75,940,322	97,485,333	-	-
Liquor Control	47,058,689	47,985,800	-	-
Unemployment Compensation	293,674,063	86,781,872	128,551,980	-
Other	1,942,966	1,737,984	-	-
Total business-type activities	418,616,040	233,990,989	128,551,980	-
Total primary government	$ 4,931,188,880	$ 561,901,699	$ 1,798,145,357	232,155,251
Component Units:				
Vermont Student Assistance Corporation	$ 123,148,000	$ 63,758,000	$ 55,316,000	$ 709,000
University of Vermont and State Agricultural College	581,900,000	331,072,000	227,944,000	47,150,000
Vermont State Colleges	179,282,040	111,308,125	65,144,549	4,741,516
Vermont Housing Finance Agency	43,486,875	1,121,336	-	-
Other	64,483,401	46,143,781	24,087,189	6,642,263
Total component units	$ 992,300,316	$ 553,403,242	$ 372,491,738	$ 59,242,779

General Revenues:	
Taxes:	
Personal and corporate income	
Sales and use	
Meals and rooms	
Puchase and use	
Motor fuel	
Statewide education	
Other taxes	
Total taxes	
Investment earnings	
Tobacco litigation settlement	
Additions to non-expendable endowments	
Miscellaneous	
Transfers	
Total general revenues and transfers	
Changes in net assets	
Net Assets - Beginning, restated (Note 1)	
Net Assets - Ending	

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Discretely Presented Component Units
Governmental Activities	Business-type Activites	Total	
$ (100,925,472)	$ -	$ (100,925,472)	$ -
(75,360,706)	-	(75,360,706)	-
(549,691,883)	-	(549,691,883)	-
1,636,062	-	1,636,062	-
(1,538,718,635)	-	(1,538,718,635)	-
15,503,191	-	15,503,191	-
(53,716,126)	-	(53,716,126)	-
37,014,046	-	37,014,046	-
(54,844)	-	(54,844)	-
(18,599,135)	-	(18,599,135)	-
(2,282,913,502)	-	(2,282,913,502)	-
-	21,545,011	21,545,011	-
-	927,111	927,111	-
-	(78,340,211)	(78,340,211)	-
-	(204,982)	(204,982)	-
-	(56,073,071)	(56,073,071)	-
(2,282,913,502)	(56,073,071)	(2,338,986,573)	-
-	-	-	(3,365,000)
-	-	-	24,266,000
-	-	-	1,912,150
-	-	-	(42,365,539)
-	-	-	12,389,832
-	-	-	(7,162,557)
563,170,233	-	563,170,233	-
316,755,164	-	316,755,164	-
118,925,843	-	118,925,843	-
69,827,603	-	69,827,603	-
64,061,447	-	64,061,447	-
909,758,090	-	909,758,090	-
333,769,512	-	333,769,512	6,101,662
2,376,267,892	-	2,376,267,892	6,101,662
3,447,663	1,416,971	4,864,634	49,250,294
36,215,907	-	36,215,907	-
-	-	-	597,607
3,364,226	(70,203)	3,294,023	31,783,085
23,354,550	(23,354,550)	-	-
2,442,650,238	(22,007,782)	2,420,642,456	87,732,648
159,736,736	(78,080,853)	81,655,883	80,570,091
1,159,856,533	83,045,080	1,242,901,613	917,875,432
$ 1,319,593,269	$ 4,964,227	$ 1,324,557,496	$ 998,445,523

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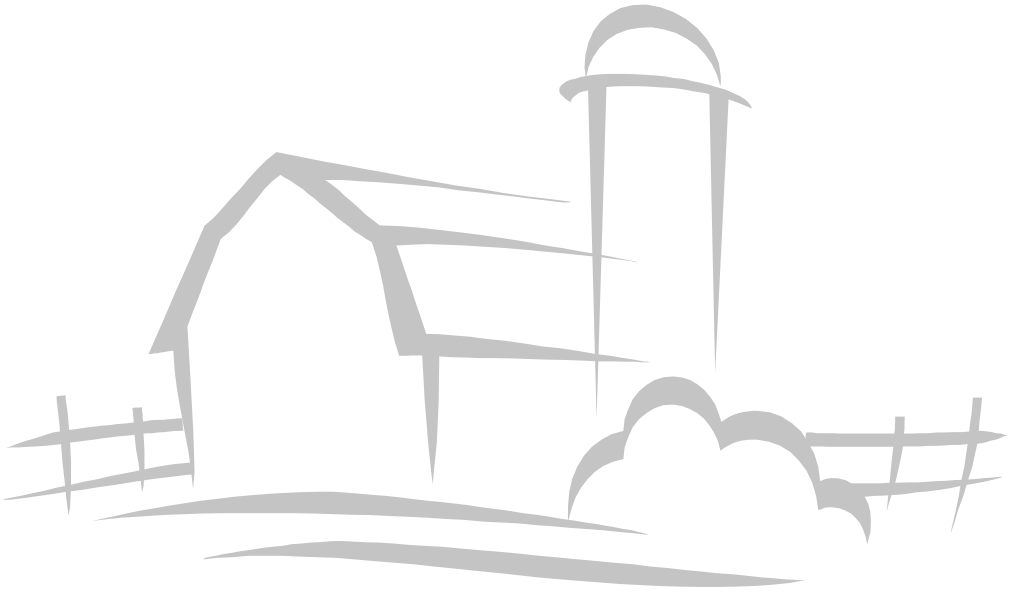

Vermont

GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

STATE OF VERMONT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	General Fund	Transportation Fund	Education Fund	Special Fund
ASSETS:				
Cash and cash equivalents	$ 67,245,959	$ 19,979,553	$ 44,244,110	$ 69,965,597
Investments	-	-	-	34,715,334
Receivables:				
Taxes receivable (net)	169,102,271	9,632,030	15,129,480	3,501,372
Accrued interest receivable	-	932	-	1,540
Notes and loans receivable	787,249	281,211	-	4,331,682
Other receivables (net)	6,875,758	9,616,952	-	21,683,898
Intergovernmental receivable - federal government (net)	819,760	32,981,365	-	-
Due from other funds	747,793	10,999	-	1,169,266
Due from component units	2,676,241	-	-	35,827
Interfund receivable	38,314,084	-	-	-
Advances to other funds	309,400	-	-	-
Advances to component units	1,450,206	-	-	-
Total assets	**$ 288,328,721**	**$ 72,503,042**	**$ 59,373,590**	**$ 135,404,516**
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	$ 19,782,140	$ 33,437,082	$ 9,220,822	$ 15,677,416
Accrued liabilities	16,549,052	7,959,465	-	6,564,033
Retainage payable	4,031	598,833	-	4,079
Due to other funds	1,302,347	9,905	15,724	558,139
Due to component units	752,031	-	-	-
Intergovernmental payable - federal government	-	45,490	-	-
Tax refunds payable	6,961,463	-	169,068	89,863
Deferred revenue	103,315,263	11,288,967	3,522,737	11,467,953
Total liabilities	**148,666,327**	**53,339,742**	**12,928,351**	**34,361,483**
FUND BALANCES:				
Reserved for:				
Encumbrances	5,670,987	277,537	-	4,067,803
Budget stabilization	57,313,939	10,283,595	29,846,238	
Debt service	1,457,288	-	-	
Advances and notes receivable	2,546,855	-	-	
Human caseload management	70,000	-	-	
Downtown housing tax credit	100,000	-	-	
Endowments	-	-	-	
Unreserved:				
General Fund	72,503,325	-	-	-
Special revenue funds (deficit)	-	8,602,168	16,599,001	96,975,230
Capital projects funds	-	-	-	-
Permanent funds	-	-	-	-
Total fund balances	**139,662,394**	**19,163,300**	**46,445,239**	**101,043,033**
Total liabilities and fund balances	**$ 288,328,721**	**$ 72,503,042**	**$ 59,373,590**	**$ 135,404,516**

The accompanying notes are an integral part of these financial statements.

Federal Revenue Fund	Global Commitment Fund	Non-major Governmental Funds	Total Governmental Funds	Eliminations	Total Governmental Funds
$ 57,894,326	$ 61,862,202	$ 39,028,355	$ 360,220,102	$ -	$ 360,220,102
10,660,155	-	23,289,457	68,664,946	-	68,664,946
-	-	99,315	197,464,468	-	197,464,468
25,967	-	-	28,439	-	28,439
203,712,417	-	-	209,112,559	-	209,112,559
2,356,601	32,752,923	500,131	73,786,263	-	73,786,263
92,322,540	-	543,293	126,666,958	-	126,666,958
758,501	1,555	6,710	2,694,824	(1,968,981)	725,843
-	-	-	2,712,068	-	2,712,068
-	-	-	38,314,084	-	38,314,084
-	-	-	309,400	-	309,400
-	-	-	1,450,206	-	1,450,206
$ 367,730,507	**$ 94,616,680**	**$ 63,467,261**	**$ 1,081,424,317**	**$ (1,968,981)**	**$ 1,079,455,336**
$ 38,999,167	$ 73,911,396	$ 4,868,726	$ 195,896,749	$ -	$ 195,896,749
7,299,378	3,227,351	790,645	42,389,924	-	42,389,924
182,421	436,683	1,086,647	2,312,694	-	2,312,694
801,770	23,634	92,946	2,804,465	(1,968,981)	835,484
-	-	5,741,905	6,493,936	-	6,493,936
7,323,962	-	-	7,369,452	-	7,369,452
-	-	-	7,220,394	-	7,220,394
204,014,637	14,917,881	11,813	348,539,251	-	348,539,251
258,621,335	**92,516,945**	**12,592,682**	**613,026,865**	**(1,968,981)**	**611,057,884**
20,305,460	2,660,467	3,834,190	36,816,444	-	36,816,444
-	-	-	97,443,772	-	97,443,772
-	-	-	1,457,288	-	1,457,288
-	-	-	2,546,855	-	2,546,855
-	-	-	70,000	-	70,000
-	-	-	100,000	-	100,000
-	-	7,416,453	7,416,453	-	7,416,453
-	-	-	72,503,325	-	72,503,325
88,803,712	(560,732)	5,385,012	215,804,391	-	215,804,391
-	-	21,849,642	21,849,642	-	21,849,642
-	-	12,389,282	12,389,282	-	12,389,282
109,109,172	**2,099,735**	**50,874,579**	**468,397,452**	**-**	**468,397,452**
$ 367,730,507	**$ 94,616,680**	**$ 63,467,261**	**$ 1,081,424,317**	**$ (1,968,981)**	**$ 1,079,455,336**

State of Vermont
Reconciliation of Governmental Fund Balances
to the Statement of Net Assets - Governmental Activities
June 30, 2010

Total fund balances from previous page		**$**	**468,397,452**
Capital assets used in governmental activities (net of internal service funds' capital assets) are not considered financial resources for fund perspective reporting and, therefore, are not reported in the funds. Those assets consist of:			
Land	108,098,518		
Construction in progress	393,057,997		
Depreciable capital assets and infrastructure, net of $939,159,911 of accumulated depreciation	1,120,457,215		
Capital assets, net of accumulated depreciation			1,621,613,730
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to certain funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets			331,063
Amount presented in the statement of net assets relating to, but not in fund balances due to different basis of accounting include:			
Long-term assets are not available to pay for current-period expenditures and therefore are reported as deferred revenues in the governmental funds			346,975,449
Deferred charge for unamortized bond issuance costs and discount on sale of bonds			3,195,896
Deferred for unamortized loss on sale of refunding bonds			7,111,600
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not considered financial liabilities for fund perspective reporting, and therefore, are not reported in the funds. These liabilities include:			
Bonded and capital lease debt	(472,900,012)		
Accrued interest payable on bonds	(7,399,122)		
Early retirement incentive liabilities	(1,623,303)		
Compensated absences (net of internal service funds' liability)	(31,073,048)		
Tax refunds payable	(67,337,437)		
Other long-term liabilities	(547,698,999)		
Long-term liabilities			(1,128,031,921)
Net assets of governmental activities		**$**	**1,319,593,269**

The accompanying notes are an integral part of these financial statements.

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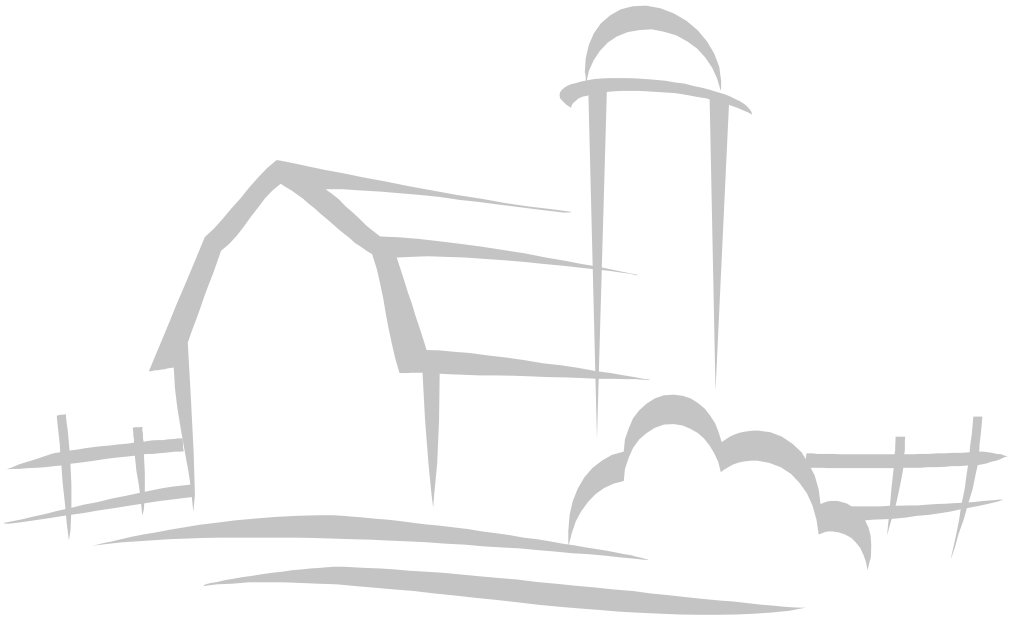

Vermont

STATE OF VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	General Fund	Transportation Fund	Education Fund	Special Fund
REVENUES:				
Taxes:				
Personal income tax	$ 499,600,026	$ -	$ -	$ 3,149,623
Corporate income tax	59,365,877	-	-	-
Sales and use tax	209,114,431	-	104,747,851	-
Meals and rooms	118,532,252	-	-	-
Motor fuel tax	-	61,245,848	-	1,859,079
Purchase and use tax	-	46,552,185	23,275,418	-
Statewide education tax	-	-	909,758,090	-
Other taxes	130,428,265	16,783,286	2,103,516	183,074,904
Earnings of departments:				
Fees	19,280,578	19,822,673	-	45,217,455
Rents and leases	-	1,692,557	-	2,596,062
Sales of services	1,356,147	10,720	-	15,293,621
Federal grants	-	255,994,533	-	-
Fines, forfeits and penalties	7,439,031	6,034,156	-	7,958,669
Investment income	190,127	53,051	101,796	3,265,615
Licenses:				
Business	2,984,087	466,194	-	11,955,084
Non-business	84,589	77,092,734	-	3,188,012
Special assessments	36	-	-	65,667,142
Other revenues	1,693,236	2,789,735	-	63,373,474
Total revenues	**1,050,068,682**	**488,537,672**	**1,039,986,671**	**406,598,740**
EXPENDITURES:				
General government	69,558,296	-	8,586,694	13,458,830
Protection to persons and property	84,020,274	25,796,085	-	100,471,193
Human services	368,582,422	-	-	57,050,924
Labor	2,616,146	-	-	5,196,576
General education	141,666,228	-	1,298,872,892	19,882,882
Natural resources	21,691,355	-	-	26,842,540
Commerce and community development	21,377,280	-	-	4,688,704
Transportation	51,983	445,204,337	-	649,740
Public service enterprises	-	-	-	2,731,930
Debt service	64,691,179	3,555,777	-	2,499,715
Total expenditures	**774,255,163**	**474,556,199**	**1,307,459,586**	**233,473,034**
Excess of revenues over (under) expenditures	**275,813,519**	**13,981,473**	**(267,472,915)**	**173,125,706**
Other Financing Sources (Uses):				
Proceeds from the sale of bonds	-	-	-	-
Premium on sale of bonds	1,457,288	-	-	-
Discount on sale of bonds	-	-	-	-
Proceeds from the sale of refunding bonds	42,232,102	-	-	301,196
Payment to bond escrow agent	(42,229,514)	-	-	-
Transfers in	29,614,924	-	269,274,549	54,780,355
Transfers out	(317,125,715)	(5,006,785)	-	(222,498,858)
Total other financing sources (uses)	**(286,050,915)**	**(5,006,785)**	**269,274,549**	**(167,417,307)**
Net change in fund balances	**(10,237,396)**	**8,974,688**	**1,801,634**	**5,708,399**
Fund balances, July 1 (deficit)	**149,899,790**	**10,188,612**	**44,643,605**	**95,334,634**
Fund balances, June 30	**$ 139,662,394**	**$ 19,163,300**	**$ 46,445,239**	**$ 101,043,033**

The accompanying notes are an integral part of these financial statements.

Federal Revenue Fund	Global Commitment Fund	Non-major Governmental Funds	Eliminations	Total Governmental Funds
$ -	$ -	$ -	$ -	$ 502,749,649
-	-	-	-	59,365,877
-	-	-	-	313,862,282
-	-	-	-	118,532,252
-	-	956,520	-	64,061,447
-	-	-	-	69,827,603
-	-	-	-	909,758,090
-	-	-	-	332,389,971
			-	
558,413	-	172,521	-	85,051,640
-	-	49,378	-	4,337,997
-	-	3,960	-	16,664,448
1,663,253,316	-	7,604,718	-	1,926,852,567
-	-	14,076	-	21,445,932
187,413	-	1,754,602	-	5,552,604
			-	
-	-	1,390	-	15,406,755
-	-	6,677,314	-	87,042,649
-	-	7,751	-	65,674,929
10,533,533	-	795,056	-	79,185,034
1,674,532,675	**-**	**18,037,286**	**-**	**4,677,761,726**
47,382,953	179,284	31,927,985	-	171,094,042
53,267,421	1,812,520	6,479,155	-	271,846,648
522,748,958	909,429,245	1,671,289	-	1,859,482,838
26,405,144	-	-	-	34,217,866
146,957,739	5,405,057	15,608,271	-	1,628,393,069
54,351,662	-	4,596,756	-	107,482,313
17,422,581	-	29,167,709	-	72,656,274
-	-	2,140,909	-	448,046,969
-	-	-	-	2,731,930
-	-	-	-	70,746,671
868,536,458	**916,826,106**	**91,592,074**	**-**	**4,666,698,620**
805,996,217	**(916,826,106)**	**(73,554,788)**	**-**	**11,063,106**
-	-	72,000,000	-	72,000,000
-	-	-	-	1,457,288
-	-	(223,508)	-	(223,508)
-	-	-	-	42,533,298
-	-	-	-	(42,229,514)
2,698,148	973,281,091	2,596,608	(1,302,445,153)	29,800,522
(732,445,619)	(24,965,623)	(2,290,549)	1,302,445,153	(1,887,996)
(729,747,471)	**948,315,468**	**72,082,551**	**-**	**101,450,090**
76,248,746	**31,489,362**	**(1,472,237)**	**-**	**112,513,196**
32,860,426	**(29,389,627)**	**52,346,816**	**-**	**355,884,256**
$ 109,109,172	**$ 2,099,735**	**$ 50,874,579**	**$ -**	**$ 468,397,452**

State of Vermont
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities - Governmental Activities
For the Fiscal Year Ended June 30, 2010

Total net change in fund balances from the previous page	$	112,513,196
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period (net of internal service funds).		
Capital outlay/functional expenditures and expensed net book value of disposed capital assets		238,566,834
Depreciation expense		(76,141,115)
Repayment of bond principal is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
Principal repayment		52,935,000
Payment to refunding bond escrow agent		42,229,514
Bond proceeds provide current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the statement of net assets.		
Bonds issued		(72,000,000)
Refunding bonds issued		(38,830,000)
Bond premium is amortized over the life of the bonds in the statement of activities		(3,722,144)
Refunding bonds gain amortized over the life of the refunded bonds		(1,189,971)
Bond discount is amortized over the life of the bonds in the statement of activities		223,508
Bond issuance costs are reported as expenditures in the governmental funds, but this cost is amortized over the life of the bonds in the statement of activities		477,506
Receivables in the governmental funds that are not available to provide current financial resources are not reported as revenues in the governmental funds		(15,208,829)
Estimated personal income tax refunds and retirement incentives that are not due and payable are not governmental fund liabilities		1,114,597
Some expenses reported in the statement of activities do not require the use of current financial resources and, thererfore, are not reported as expenditures in the governmental funds.		
Net decrease in accrued interest payable		(41,331)
Accreted interest on capital appreciation bonds		(994,604)
Increase in compensated absences		398,854
Increase in employer pension and other postemployment related costs		(102,640,575)
Increase in pollution remediation related costs		(1,465,302)
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities		(2,493,494)
Notes and loans issued by governmental funds are reported as an expenditure in governmental funds and repayments are reported as a revenue in the governmental funds, but the issuances and repayment increase or decrease notes and loans receivable in the statement of net assets		26,005,092
Total changes in net assets of governmental activities as reported on the statement of activities	$	159,736,736

The accompanying notes are an integral part of these financial statements.

PROPRIETARY FUNDS FINANCIAL STATEMENTS

STATE OF VERMONT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2010

	Business-type Activities - Enterprise Funds		
	Unemployment Compensation Trust Fund	Liquor Control Fund	Vermont Lottery Commission
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 16,938,499	$ 1,841,132	$ 1,794,708
Investments	-	-	-
Receivables:			
Taxes receivable (net of allowance for uncollectibles)	18,551,376	-	-
Accrued interest receivable	-	-	-
Accounts receivable (net of allowance for uncollectibles)	1,214,990	440,382	1,339,165
Loans receivable	-	-	-
Due from other funds	-	-	15,724
Intergovernmental receivable - federal	1,625,440	-	-
Inventories, at cost	-	5,229,913	555,081
Prepaid Expenses	-	-	-
Total current assets	**38,330,305**	**7,511,427**	**3,704,678**
Restricted and Noncurrent Assets:			
Cash-subscription reserve fund	-	-	-
Investments	-	-	2,279,384
Loans receivable	-	-	-
Accounts receivable - subscriptions	-	-	-
Imprest cash and change fund - advances	-	6,500	300,000
Total restricted assets	**-**	**6,500**	**2,579,384**
Capital Assets:			
Land	-	-	-
Construction in progress	-	-	-
Art	-	-	-
Capital assets being depreciated/amortized:			
Machinery, equipment and buildings	-	1,789,956	288,042
Less accumulated depreciation	-	(891,727)	(242,075)
Total capital assets, net of depreciation & amortization	**-**	**898,229**	**45,967**
Total restricted and noncurrent assets	-	904,729	2,625,351
Total assets	**38,330,305**	**8,416,156**	**6,330,029**
LIABILITIES			
Current Liabilities:			
Accounts payable	1,131,636	5,549,450	433,060
Accrued salaries and benefits	-	447,299	210,274
Claims payable	-	-	-
Due to lottery winners	-	-	239,223
Due to agents	-	357,615	-
Due to other funds	35,669	627,763	-
Interfund payable	-	-	-
Future and unclaimed prizes payable	-	-	2,467,522
Unearned revenue	-	-	127,476
Capital leases payable	-	-	-
Other current liabilities	3,542,502	-	-
Total current liabilities	**4,709,807**	**6,982,127**	**3,477,555**
Long-term Liabilities:			
Unexpired subscriptions	-	-	-
Due to lottery winners	-	-	1,776,380
Claims payable	-	-	-
Advances from other funds	-	6,500	300,000
Capital leases payable	-	-	-
Other noncurrent liabilities	32,657,065	-	
Total long-term liabilities	**32,657,065**	**6,500**	**2,076,380**
Total liabilities	**37,366,872**	**6,988,627**	**5,553,935**
NET ASSETS			
Invested in capital assets, net of related debt	-	898,229	45,967
Restricted for unemployment compensation benefits	963,433	-	-
Unrestricted (deficit)	-	529,300	730,127
Total net assets	**$ 963,433**	**$ 1,427,529**	**$ 776,094**

The accompanying notes are an integral part of these financial statements.

Business-type Activities - Enterprise Funds			Governmental Activities
Non-major Enterprise Funds	Eliminations	Total Enterprise Funds	Total Internal Service Funds
$ 559,084	$ -	$ 21,133,423	$ 44,346,750
-	-	-	-
-	-	18,551,376	-
16,983	-	16,983	2,083
210,981	-	3,205,518	11,594,719
853,734	-	853,734	-
35,669	(35,669)	15,724	-
-	-	1,625,440	-
157,896	-	5,942,890	2,256,744
79,480	-	79,480	1,098,105
1,913,827	**(35,669)**	**51,424,568**	**59,298,401**
539,829	-	539,829	-
-	-	2,279,384	-
1,899,162	-	1,899,162	-
70,764	-	70,764	-
2,900	-	309,400	-
2,512,655	**-**	**5,098,539**	**-**
-	-	-	26,156
-	-	-	3,034,249
-	-	-	8,200
-	-	2,077,998	76,213,479
-	-	(1,133,802)	(45,935,185)
-	**-**	**944,196**	**33,346,899**
2,512,655	-	6,042,735	33,346,899
4,426,482	**(35,669)**	**57,467,303**	**92,645,300**
171,090	-	7,285,236	5,480,803
85,679	-	743,252	3,560,196
-	-	-	11,279,414
-	-	239,223	-
-	-	357,615	-
757	(35,669)	628,520	97,323
1,726,619	-	1,726,619	36,029,197
-	-	2,467,522	-
60,369	-	187,845	42,810
-	-	-	449,991
157	-	3,542,659	-
2,044,671	**(35,669)**	**17,178,491**	**56,939,734**
539,829	-	539,829	-
-	-	1,776,380	-
-	-	-	31,155,317
2,900	-	309,400	-
-	-	-	4,261,097
-	-	32,657,065	-
542,729	**-**	**35,282,674**	**35,416,414**
2,587,400	**(35,669)**	**52,461,165**	**92,356,148**
-	-	944,196	28,635,811
-	-	963,433	-
1,839,082	-	3,098,509	(28,346,659)
$ 1,839,082	**$ -**	**$ 5,006,138**	**$ 289,152**
Adjustment to reflect the consolidation of internal service activities related to enterprise funds		(41,911)	
Net Assets - Business-type Activities.....		**$ 4,964,227**	

STATE OF VERMONT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Business-type Activities - Enterprise Funds		
	Unemployment Compensation Trust Fund	Liquor Control Fund	Vermont Lottery Commission
Operating Revenues			
Charges for sales and services	$ 86,781,872	$ 44,773,246	$ -
Ticket sales	-	-	97,477,784
Rental income	-	-	-
License fees	-	1,118,314	-
Federal donated property	-	-	-
Advertising revenue	-	-	-
Other operating revenues	-	2,094,240	7,549
Total operating revenues	**86,781,872**	**47,985,800**	**97,485,333**
Operating Expenses			
Cost of sales and services	-	36,085,778	72,999,241
Claims expense	293,182,468	-	-
Salaries and benefits	-	3,689,649	1,484,362
Insurance premium expense	-	14,214	4,097
Contractual services	-	747,694	100,206
Repairs and maintenance	-	80,258	3,883
Depreciation	-	295,666	15,687
Rental expense	-	74,454	191,009
Utilities and property management	-	323,417	97,763
Non-capital equipment purchased	-	(19,268)	18,479
Promotions and advertising	-	67,714	725,710
Administrative expenses	-	56,799	21,433
Supplies and parts	-	195,458	35,132
Distribution and postage	-	36,378	21,325
Travel	-	28,539	9,432
Loss on bad debts	491,595	-	12,680
Other operating expenses	-	5,373,694	188,577
Total operating expenses	**293,674,063**	**47,050,444**	**75,929,016**
Operating income (loss)	**(206,892,191)**	**935,356**	**21,556,317**
Non-Operating Revenues			
Federal grants	128,551,980	-	-
Gain on disposal of capital assets	-	2,404	-
Investment income	1,329,760	-	84,993
Other non-operating (expense)	-	(72,607)	-
Total non-operating revenues	**129,881,740**	**(70,203)**	**84,993**
Income (loss) before contributions and transfers	**(77,010,451)**	**865,153**	**21,641,310**
Capital contributions from other funds	-	-	-
Transfer in	325,973	-	-
Transfer out	(803,935)	(1,316,334)	(21,580,606)
Changes in net assets	**(77,488,413)**	**(451,181)**	**60,704**
Total net assets, July 1	**78,451,846**	**1,878,710**	**715,390**
Total net assets, June 30	**$ 963,433**	**$ 1,427,529**	**$ 776,094**

The accompanying notes are an integral part of these financial statements.

Business-type Activities - Enterprise Funds			Governmental Activities
Non-major Enterprise Funds	Eliminations	Total Enterprise Funds	Total Internal Service Funds
$ 1,085,706	$ -	$ 132,640,824	$ 222,874,287
-	-	97,477,784	-
-	-	-	12,898,973
-	-	1,118,314	-
99,636	-	99,636	-
422,258	-	422,258	-
130,384	-	2,232,173	2,048,206
1,737,984	**-**	**233,990,989**	**237,821,466**
531,273	-	109,616,292	25,136,400
-	-	293,182,468	125,942,711
621,254	-	5,795,265	30,082,782
2,944	-	21,255	7,556,075
282,284	-	1,130,184	4,746,270
1,388	-	85,529	4,818,371
-	-	311,353	8,292,956
20,517	-	285,980	2,535,994
24,695	-	445,875	10,880,861
9,705	-	8,916	2,338,032
102,723	-	896,147	14,694
44,389	-	122,621	8,306,350
5,882	-	236,472	7,291,207
259,685	-	317,388	93,358
4,357	-	42,328	96,851
13,375	-	517,650	-
18,707	-	5,580,978	1,144,089
1,943,178	**-**	**418,596,701**	**239,277,001**
(205,194)	**-**	**(184,605,712)**	**(1,455,535)**
-	-	128,551,980	-
-	-	2,404	314,320
2,218	-	1,416,971	135,154
-	-	(72,607)	-
2,218	**0**	**129,898,748**	**449,474**
(202,976)	**-**	**(54,706,964)**	**(1,006,061)**
-	-	-	1,298
346,325	(20,352)	651,946	1,887,996
(325,973)	20,352	(24,006,496)	(3,396,066)
(182,624)	**-**	**(78,061,514)**	**(2,512,833)**
2,021,706	**-**	**83,067,652**	**2,801,985**
$ 1,839,082	**$ -**	**$ 5,006,138**	**$ 289,152**

Total change in net assets reported above.....	(78,061,514)
Consolidation adjustment of internal service activities related to enterprise funds.....	(19,339)
Change in net assets - business-type activities.....	$ (78,080,853)

STATE OF VERMONT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Business-type Activities - Enterprise Funds		
	Unemployment Compensation Trust Fund	Liquor Control Fund	Vermont Lottery Commission
Cash Flows from Operating Activities:			
Cash received from customers	$ 81,768,720	$ 59,895,774	$ 97,369,940
Cash paid to suppliers for goods and services	-	(43,553,519)	-
Cash paid to employees for services	-	(3,715,623)	(1,457,568)
Cash paid for prizes and commissions	-	-	(67,171,166)
Cash paid to claimants	(296,468,179)	-	-
Liquor taxes and licenses paid	-	(15,301,237)	-
Cash paid for fees, operations and other	-	-	(7,435,726)
Other operating revenues (expenses)	-	3,212,554	7,549
Net cash provided (used) by operating activities	**(214,699,459)**	**537,949**	**21,313,029**
Cash Flows from Noncapital Financing Activities:			
Operating transfers in (out)	(487,514)	(1,316,334)	(21,571,928)
Other non-operating revenues (expenses)	-	(72,607)	-
Interfund loans and advances	-	(300)	-
Federal grants	122,793,479	-	-
Temporary loan from federal government	32,657,065	-	-
Net cash provided (used) by noncapital financing activities	**154,963,030**	**(1,389,241)**	**(21,571,928)**
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	-	(318,798)	-
Proceeds from capital leases	-	-	-
Capital contributions	-	-	-
Proceeds from sale of capital assets	-	2,894	-
Net cash provided (used) by capital and related financing activities	**-**	**(315,904)**	**-**
Cash Flows From Investing Activities:			
Interest and dividends on investments	1,329,760	-	(73,749)
Proceeds from sales/maturities of investments	-	-	437,668
Interest & penalties received (paid)	-	-	-
Excess cash transferred	-	-	-
Net cash provided (used) by investing activities	**1,329,760**	**-**	**363,919**
Net increase (decrease) in cash and cash equivalents	**(58,406,669)**	**(1,167,196)**	**105,020**
Cash and cash equivalents at July 1	**75,345,168**	**3,014,828**	**1,989,688**
Cash and cash equivalents at June 30 (see note below)	**$ 16,938,499**	**$ 1,847,632**	**$ 2,094,708**
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	$ (206,892,191)	$ 935,356	$ 21,556,317
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation and amortization	-	295,666	15,687
(Increase) decrease in accounts/taxes receivable	(4,521,556)	(194,690)	(20,513)
(Increase) decrease in loans receivable	-	-	-
(Increase) decrease in accrued interest receivable	-	-	-
(Increase) decrease in due from other funds	-	15,981	3,169
(Increase) decrease in inventory	-	(948,670)	(93,947)
(Increase) decrease in prepaid expenses	-	-	-
Increase (decrease) in accounts payable	-	84,634	177,449
Increase (decrease) in accrued salaries and benefits	-	(25,974)	26,794
Increase (decrease) in claims payable	(942,815)	-	-
Increase (decrease) in due to lottery winners	-	-	(350,105)
Increase (decrease) in due to agents	-	107,627	-
Increase (decrease) in future and unclaimed prizes payable	-	-	88,678
Increase (decrease) in due to other funds	-	268,019	-
Increase (decrease) in deferred revenue	-	-	(90,500)
Increase (decrease) in other liabilities	(2,342,897)	-	-
Increase (decrease) in subscription reserves	-	-	-
Total adjustments	**(7,807,268)**	**(397,407)**	**(243,288)**
Net cash provided (used) by operating activities	**$ (214,699,459)**	**$ 537,949**	**$ 21,313,029**

NOTE: Total cash/cash equivalents at June 30 on the cash flow statement is equal to cash/cash equivalents, cash-subscription reserve fund, and imprest cash on the Statement of Net Assets.

The accompanying notes are an integral part of these financial statements.

Business-type Activities - Enterprise Funds		Governmental Activities
Non-major Enterprise Funds	Total Enterprise Funds	Total Internal Service Funds
$ 2,412,044	$ 241,446,478	$ 236,861,620
(2,117,600)	(45,671,119)	(76,825,016)
(623,385)	(5,796,576)	(30,065,808)
-	(67,171,166)	-
-	(296,468,179)	(121,657,382)
-	(15,301,237)	-
-	(7,435,726)	-
37,989	3,258,092	904,117
(290,952)	**(193,139,433)**	**9,217,531**
29,905	(23,345,871)	(1,500,548)
-	-	-
67,957	67,657	(3,221,529)
-	122,793,479	-
-	32,657,065	-
97,862	**132,172,330**	**(4,722,077)**
-	(318,798)	(6,949,728)
-	-	(17,379)
-	-	-
-	2,894	841,408
-	**(315,904)**	**(6,125,699)**
2,218	1,258,229	141,186
-	437,668	-
-	-	-
-	-	-
2,218	**1,695,897**	**141,186**
(190,872)	**(59,659,717)**	**(1,489,059)**
1,292,685	**81,642,369**	**45,835,809**
$ 1,101,813	**$ 21,982,652**	**$ 44,346,750**
$ (205,194)	$ (184,605,712)	$ (1,455,535)
-	311,353	8,292,956
149,222	(4,587,537)	209,055
(242,862)	(242,862)	-
614	614	-
38,872	58,022	887,159
91,036	(951,581)	95,229
53,760	53,760	174,457
3,564	265,647	208,516
(2,131)	(1,311)	16,974
-	(942,815)	4,285,329
-	(350,105)	-
-	107,627	-
-	88,678	-
(14,209)	253,810	(2,667,522)
(107,520)	(198,020)	(829,087)
-	(2,342,897)	-
(56,104)	(56,104)	-
(85,758)	**(8,533,721)**	**10,673,066**
$ (290,952)	**$ (193,139,433)**	**$ 9,217,531**

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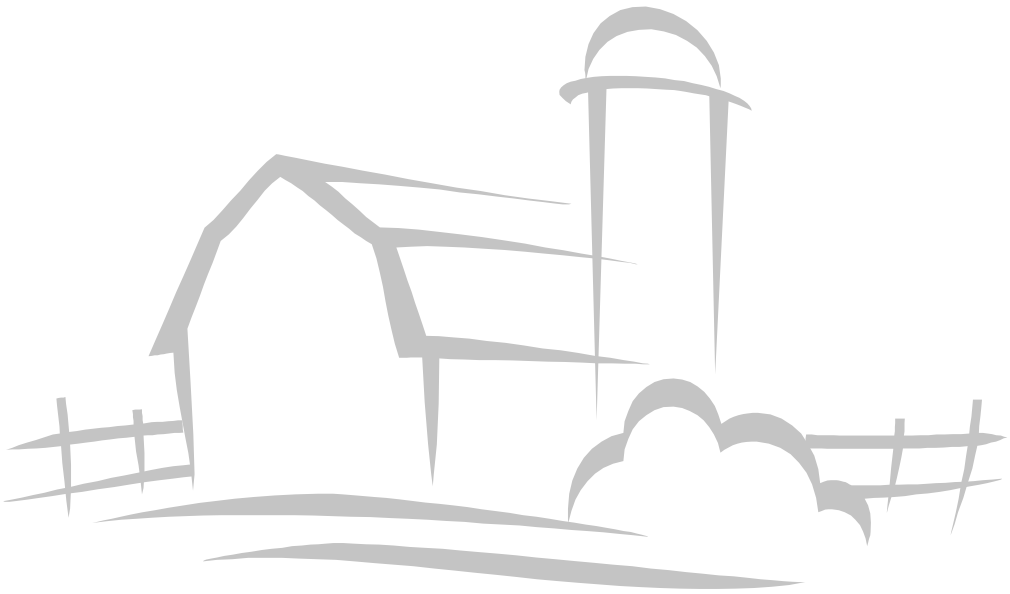

Vermont

FIDUCIARY FUNDS
FINANCIAL STATEMENTS

STATE OF VERMONT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2010

	Pension and Other Postemployment Benefits Trust Funds	Investment Trust Fund	Private Purpose Trust Fund Unclaimed Property Fund	Agency Funds
ASSETS				
Cash and cash equivalents	$ 17,374,865	$ -	$ 4,478,755	$ 5,494,404
Investments at fair value	3,337,678,715	117,124,524	1,472,893	-
Receivables:				
Taxes	-	-	-	1,630,842
Contributions - current	11,837,242	-	-	-
Contributions - non-current	6,713,298	-	-	-
Interest and dividends	1,121,782	-	-	-
Investments sold	1,678,758	-	-	-
Other	514,221	-	-	255,335
Due from other funds	819,760	-	-	-
Prepaid expenses	1,453,629	-	-	-
Other assets	-	-	941,939	-
Capital assets:				
Construction in progress	2,828,753	-	-	-
Capital assets being depreciated:				
Equipment	2,068,020	-	613	-
Less accumulated depreciation	(328,516)	-	(196)	-
Total capital assets, net of depreciation	4,568,257	-	417	-
Total assets	**3,383,760,527**	**117,124,524**	**6,894,004**	**7,380,581**
LIABILITIES				
Liabilities:				
Accounts payable	3,928,940	117,516	13,527	-
Accrued liabilities	-	-	34,119	-
Claims payable	-	-	6,399,890	-
Retainage	593,514	-	-	-
Interfund loans payable	318,765	-	-	239,503
Due to depositories	-	-	-	60,929
Intergovernmental payable - other governments	-	-	-	3,100,904
Amounts held in custody for others	-	-	-	3,187,344
Payable for investments purchased	4,038,998	-	-	-
Other liabilities	-	105,384	-	791,901
Securities lending obligations	417,909,266	15,138,853	-	-
Total liabilities	**426,789,483**	**15,361,753**	**6,447,536**	**$ 7,380,581**
NET ASSETS HELD IN TRUST FOR:				
Employees' pension benefits	$ 2,939,519,009	$ -	$ -	
Employees' other postemployment benefits	17,452,035	-	-	
Pool participants	-	101,762,771	-	
Individuals, organizations and other governments	-	-	446,468	
Net assets held in trust for benefits & other purposes	**$ 2,956,971,044**	**$101,762,771**	**$ 446,468**	

The accompanying notes are an integral part of these financial statements.

STATE OF VERMONT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Pension and Other Postemployment Benefits Trust Funds	Investment Trust Fund	Private Purpose Trust Fund — Unclaimed Property Fund
ADDITIONS			
Contributions:			
Employer - pension benefit	$ 67,208,872	$ -	$ -
Employer - healthcare benefit	39,900,139	-	-
Plan member	60,137,126	-	-
Transfers from non-state systems	58,606	-	-
Medicare part D drug subsidy	1,375,282	-	-
Total contributions	168,680,025	-	-
Investment Income:			
Net appreciation in fair value of investments	10,323,244	-	-
Income from investment pool	447,837,702	16,878,938	-
Dividends	1,246,622	-	-
Interest income	4,395,352	-	85,541
Securities lending income	2,668,600	-	-
Other income	818,301	-	-
Less Investment Expenses:			
Investment managers and consultants	(12,650,523)	(439,285)	-
Securities lending expenses	(656,804)	-	-
Net investment income	453,982,494	16,439,653	85,541
Escheat property remittances	-	-	2,821,555
Total additions	**622,662,519**	**16,439,653**	**2,907,096**
DEDUCTIONS			
Retirement benefits	195,052,478	-	-
Other post employment benefits	38,413,522	-	-
Refunds of contributions	3,832,673	-	-
Death claims	728,731	-	-
Depreciation	207,798	-	-
Operating expenses	2,273,141	5,385	574,127
Pool participant withdrawal	-	4,500,000	-
Transfers out	-	-	3,049,906
Total deductions	**240,508,343**	**4,505,385**	**3,624,033**
Change in net assets held in trust for:			
Employees' pension benefits	379,488,682	-	-
Employees' other postemployment benefits	2,665,494	-	-
Pool participants	-	11,934,268	-
Individual, organizations and other governments	-	-	(716,937)
Net Assets, July 1	**2,574,816,868**	**89,828,503**	**1,163,405**
Net Assets, June 30	**$ 2,956,971,044**	**$ 101,762,771**	**$ 446,468**

The accompanying notes are an integral part of these financial statements.

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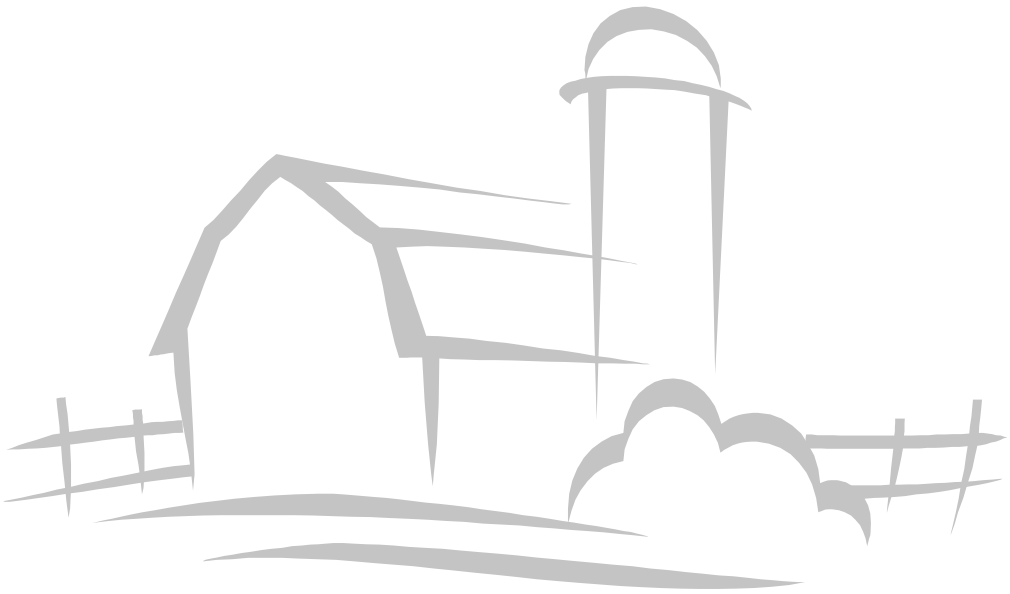

Vermont

Component Units
Financial Statements

STATE OF VERMONT
STATEMENT OF NET ASSETS
DISCRETELY PRESENTED COMPONENT UNITS
June 30, 2010

ASSETS	Vermont Student Assistance Corporation	University of Vermont and State Agricultural College	Vermont State Colleges	Vermont Housing Finance Agency	Non-major Component Units	Total Component Units
Current Assets:						
Cash and cash equivalents	$ 138,942,000	$ 131,129,000	$ 1,951,568	$ 4,165,548	$ 17,250,208	$ 293,438,324
Investments	2,758,000	35,353,000	26,531,150	1,127,969	12,512,109	78,282,228
Accounts receivable (net)	-	28,591,000	9,272,697	-	2,388,809	40,252,506
Accrued interest receivable - loans	40,056,000	-	-	3,802,686	20,197,054	64,055,740
Accrued interest receivable - investments	17,000	-	-	728,981	-	745,981
Loans and notes receivable - current portion	174,381,000	2,982,000	-	15,332,462	52,173,393	244,868,855
Other receivables	3,887,000	5,018,000	-	2,595,455	166,774	11,667,229
Due from federal government	503,000	-	-	-	21,852,749	22,355,749
Due from primary government	-	-	-	-	3,817,695	3,817,695
Inventories (at cost)	-	-	200,312	-	112,796	313,108
Other current assets	1,688,000	11,359,000	12,021,754	14,995,981	1,334,609	41,399,344
Total current assets	**362,232,000**	**214,432,000**	**49,977,481**	**42,749,082**	**131,806,196**	**801,196,759**
Restricted and Non-Current Assets:						
Cash and cash equivalents	-	7,154,000	10,251,019	199,084,734	945,639	217,435,392
Investments	-	302,947,000	30,748,825	75,675,007	68,505,179	477,876,011
Deferred bond issue costs	9,030,000	-	-	3,851,716	5,896,430	18,778,146
Loans and notes receivable (net)	2,196,679,000	33,648,000	4,988,261	563,798,037	652,668,011	3,451,781,309
Other assets	-	6,527,000	707,914	6,024,735	5,677	13,265,326
Total restricted & noncurrent assets	**2,205,709,000**	**350,276,000**	**46,696,019**	**848,434,229**	**728,020,936**	**4,179,136,184**
Capital Assets:						
Land	3,150,000	20,972,000	5,712,848	775,000	571,468	31,181,316
Construction in process	-	-	3,828,702	-	-	3,828,702
Building and leasehold improvements	16,765,000	688,272,000	202,876,172	1,664,724	24,833,735	934,411,631
Equipment, furniture and fixtures	9,758,000	146,434,000	14,562,354	1,162,596	4,020,319	175,937,269
Infrastructure	-	-	31,383,257	-	-	31,383,257
Accumulated depreciation	(10,039,000)	(310,923,000)	(103,702,012)	(1,987,462)	(14,160,379)	(440,811,853)
Total capital assets, net of depreciation	**19,634,000**	**544,755,000**	**154,661,321**	**1,614,858**	**15,265,143**	**735,930,322**
Total assets	**2,587,575,000**	**1,109,463,000**	**251,334,821**	**892,798,169**	**875,092,275**	**5,716,263,265**
LIABILITIES						
Current Liabilities:						
Accounts payable and accrued liabilities	8,182,000	55,358,000	15,677,734	1,574,046	2,834,200	83,625,980
Accrued interest payable	-	-	-	6,047,917	104,912	6,152,829
Bond interest payable	1,103,000	-	-	-	1,799,548	2,902,548
Unearned revenue	7,014,000	16,871,000	6,630,193	14,350	275,350	30,804,893
Other current liabilities	-	-	-	-	18,720,920	18,720,920
Current portion of long-term liabilities	307,010,000	9,042,000	3,835,384	148,655,283	144,073,685	612,616,352
Due to primary government	-	-	-	-	35,827	35,827
Escrowed cash deposits	-	-	-	1,374,052	186,389	1,560,441
Advances from primary government	-	-	-	-	1,450,206	1,450,206
Total current liabilities	**323,309,000**	**81,271,000**	**26,143,311**	**157,665,648**	**169,481,037**	**757,869,996**
Non-Current Liabilities:						
Bonds, notes and leases payable	2,106,355,000	479,430,000	114,760,112	634,363,778	466,373,314	3,801,282,204
Accounts payable and accrued liabilities	-	13,129,000	212,568	-	-	13,341,568
Accrued arbitrage rebate	20,168,000	-	-	63,478	327,216	20,558,694
Other liabilities	-	69,605,000	38,986,251	15,766,926	407,103	124,765,280
Total non-current liabilities	**2,126,523,000**	**562,164,000**	**153,958,931**	**650,194,182**	**467,107,633**	**3,959,947,746**
Total liabilities	**2,449,832,000**	**643,435,000**	**180,102,242**	**807,859,830**	**636,588,670**	**4,717,817,742**
NET ASSETS						
Invested in capital assets, net of related debt	1,378,000	73,754,000	50,828,903	1,614,858	12,046,941	139,622,702
Restricted	98,710,000	338,661,000	15,519,603	76,078,150	199,781,797	728,750,550
Unrestricted	37,655,000	53,613,000	4,884,073	7,245,331	26,674,867	130,072,271
Total net assets	**$ 137,743,000**	**$ 466,028,000**	**$ 71,232,579**	**$ 84,938,339**	**$ 238,503,605**	**$ 998,445,523**

The accompanying notes are an integral part of these financial statements.

STATE OF VERMONT
STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2010

	Vermont Student Assistance Corporation	University of Vermont and State Agricultural College	Vermont State Colleges	Vermont Housing Finance Agency	Non-major Component Units	Total Component Units
Expenses:						
Salaries and benefits	$ 24,277,000	$ 359,467,000	$ 112,725,890	$ 3,011,098	$ 19,414,982	$ 518,895,970
Other expenses	50,596,000	161,477,000	46,625,414	5,445,398	42,926,488	307,070,300
Scholarships, grants and fellowships	25,823,000	17,107,000	7,314,056	-	-	50,244,056
Depreciation	1,359,000	27,435,000	7,449,635	117,326	981,770	37,342,731
Interest on debt	21,093,000	16,414,000	5,167,045	34,913,053	1,160,161	78,747,259
Total expenses	123,148,000	581,900,000	179,282,040	43,486,875	64,483,401	992,300,316
Program Revenues:						
Charges for services	63,758,000	331,072,000	111,308,125	1,121,336	46,143,781	553,403,242
Operating grants and contributions	55,316,000	227,944,000	65,144,549	-	24,087,189	372,491,738
Capital grants and contributions	709,000	47,150,000	4,741,516	-	6,642,263	59,242,779
Total program revenues	119,783,000	606,166,000	181,194,190	1,121,336	76,873,233	985,137,759
Net revenue (expense)	(3,365,000)	24,266,000	1,912,150	(42,365,539)	12,389,832	(7,162,557)
General Revenues:						
Property transfer tax	-	-	-	-	6,101,662	6,101,662
Investment income	-	-	4,028,821	42,756,201	2,465,272	49,250,294
Additions to non-expendable endowments	-	-	597,607	-	-	597,607
Miscellaneous	27,134,000	-		3,727,166	921,919	31,783,085
Total general revenues	27,134,000	-	4,626,428	46,483,367	9,488,853	87,732,648
Changes in net assets	23,769,000	24,266,000	6,538,578	4,117,828	21,878,685	80,570,091
Net assets - beginning, restated (Note 1)	113,974,000	441,762,000	64,694,001	80,820,511	216,624,920	917,875,432
Net assets - ending	$ 137,743,000	$ 466,028,000	$ 71,232,579	$ 84,938,339	$ 238,503,605	$ 998,445,523

The accompanying notes are an integral part of these financial statements.

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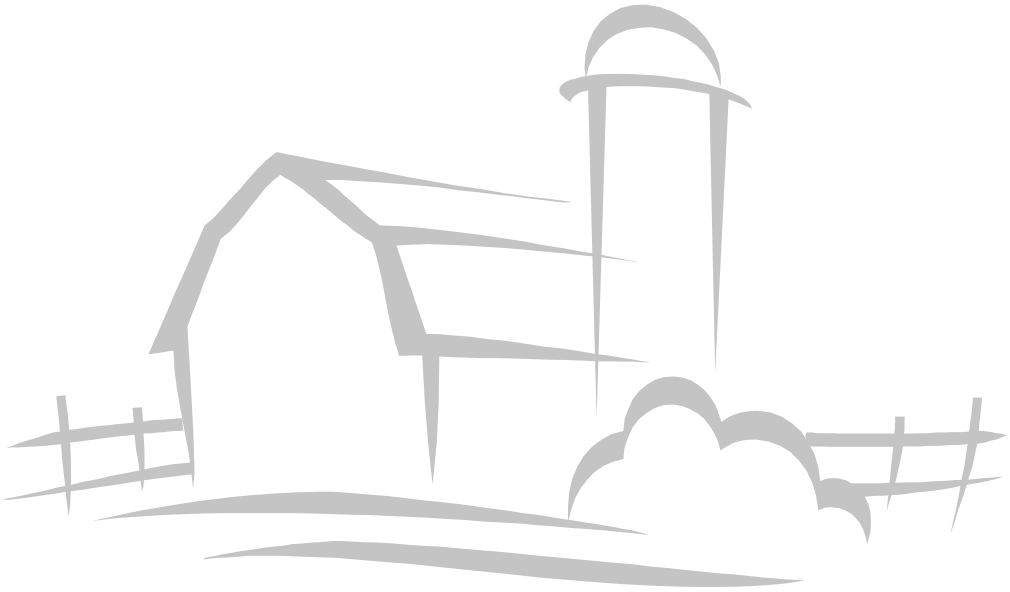

Vermont

State of Vermont
Notes to the Financial Statements
Fiscal Year Ended June 30, 2010

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Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the State of Vermont (State) have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). Newly implemented in these statements are the requirements of GASB Statement No. 51 – "Accounting and Financial Reporting for Intangible Assets," GASB Statement No. 53 – "Accounting and Financial Reporting for Derivative Instruments," and GASB Statement No. 58 – "Accounting and Financial Reporting for Chapter 9 Bankruptcies."

The accompanying financial statements present the financial position of the State, the results of operations of the State and the various funds and fund types, and the cash flows of the various proprietary funds. The financial statements are presented as of and for the period ending June 30, 2010.

A. Reporting Entity

The basic financial statements include all funds of the primary government (the State), as well as component units that have been determined to meet the requirements for inclusion in the State's financial reporting entity.

Component Units are entities that, although legally separate from the State, have been included because they are either financially accountable to the State, or have relationships with the State such that exclusion would cause the State's financial statements to be misleading or incomplete. Their activity may be "blended" into the activity of the primary government or may be reported separately. If they are reported separately, they are called "discretely presented component units." Each discretely presented Component Unit's designation as either "major" or "non-major" has been determined by applying the criteria of GASB Statement No. 34. See Section C – Fund Financial Statements – for definitions of major and non-major funds. Additional information as well as separately issued financial reports may be obtained by contacting the individual entity desired at the address given in the following text.

The "Discretely Presented Component Units" contained in the government-wide financial statements report the financial results of the following entities:

Discretely Presented Major Component Units

Vermont Student Assistance Corporation (VSAC) – VSAC was established by the Vermont Legislature to provide opportunities for persons who are residents of Vermont to attend colleges or other institutions of higher education by awarding grants and by making, financing, servicing, and guaranteeing loans to qualifying students. The Governor of the State appoints five of the eleven members of the Board of Directors and the State of Vermont has the ability to impose its will upon VSAC through its ability to change or alter the organization, structure or programs. For further information, contact their administrative offices at the Champlain Mill, P.O. Box 2000, Winooski, Vermont 05404-2601.

*University of Vermont (UVM)** - The University of Vermont's financial report includes both the University and the State Agricultural College. Currently, 32% of UVM's budget comes from State and Federal appropriations, and private grants. Additional information may be obtained by contacting the university's administrative offices at 348 Waterman Building, Burlington, Vermont 05405.

Vermont State College System (VSC) – The Vermont State College System's annual report includes the financial activity for the following organizations:

System Offices and Services
Community College of Vermont
Castleton State College

Johnson State College
Lyndon State College
Vermont Technical College
Vermont Interactive Television
Allied Health Nursing Program
Vermont Manufacturing Extension Center

The Governor, with the advice and consent of the Senate, appoints all 15 members of the board of directors. VSC also has a fiscal dependency on the State of Vermont. Additional information about the system itself or about any of the individual organizations included in the system may be obtained by contacting the Office of the Chancellor, Vermont State Colleges, Stanley Hall, Park Street, P.O. Box 359, Waterbury, Vermont 05676.

*Vermont Housing Finance Agency (VHFA)** – The VHFA was created in 1974 by an Act of the General Assembly of the State of Vermont for the purpose of financing and promoting affordable, safe and decent housing opportunities for low- and moderate-income Vermonters. VHFA is legally separate from the State. The State appoints the majority of the VHFA's board of commissioners. Further information may be obtained by contacting the Agency's administrative offices at 164 Saint Paul Street, Burlington, VT 05402-0408.

Discretely Presented Non-major Component Units

*Vermont Economic Development Authority (VEDA)** – VEDA, a tax-exempt entity, was created by the Vermont Legislature for the purpose of promoting economic prosperity in the State by directly financing eligible businesses and projects including manufacturing, agricultural, and travel and tourism enterprises; and by operating programs which provide eligible borrowers with access to capital. The authority has 12 voting members consisting of the secretary of the agency of commerce and community development, the State treasurer, the secretary of agriculture, food and markets, or a designee of any of the above; and nine members, who are residents of the State of Vermont and appointed by the governor with the advice and consent of the senate. The entity's services primarily benefit the Vermont citizenry.

VEDA also administers the State Infrastructure Bank (SIB), the Drinking Water State Revolving Loan Fund – Private Loans, the Brownsfield Revitalization Fund, and the Clean Energy Development Fund. These four funds are administered for the benefit of the State and are consolidated and reported in VEDA's agency fund. Audited financial statements and additional information may be obtained by contacting VEDA at 56 East State Street, Suite 5, Montpelier, Vermont 05602.

Vermont Housing and Conservation Board (VHCB) – The Legislature created and charged this organization with two goals: create affordable housing for Vermont residents; and conserve and protect Vermont's agricultural lands, historic properties, important natural areas, and recreational lands. The VHCB's Board of Directors is appointed by the Governor of the State of Vermont and there is a material financial relationship. The VHCB issues audited financial statements under separate cover. Additional information may be obtained by contacting them at 149 State Street, Montpelier, Vermont 05602.

Vermont Sustainable Jobs Fund, Inc. (VSJF) – The Vermont Legislature established a jobs program and directed VEDA to set up a non-profit 503(c)(3) corporation to implement the program and to establish policies and procedures in order to fulfill the goals of the jobs program as listed in 10 V.S.A. 326(a). The Governor of the State of Vermont appoints the majority of the voting members of the Board. Additionally, the VSJF program works collaboratively with the agency of agriculture, food and markets to assist the Vermont slaughterhouse industry in supporting its efforts at productivity and sustainability. Audited financial statements and additional information may be obtained by contacting them at 56 East State Street, Montpelier, Vermont 05602.

Net Assets restatement - The VSJF restated their July 1, 2009 net assets balance increasing the balance from $65,137 to $117,938 due to a change in the application of accounting principles.

Vermont Municipal Bond Bank (VMBB) – The Vermont Legislature established the VMBB for the express purpose of fostering and promoting adequate capital markets and facilities for borrowing money by governmental

units of the State of Vermont for the financing of public improvements or other public purposes. VMBB is authorized, with written consent of the Governor or the State Treasurer, to carry out these charges by borrowing money or by issuing its own bonds and notes to obtain funds which are then utilized to purchase bonds and notes issued by local governmental entities. It has an annual fiscal year (December 31) and issues audited financial statements under separate cover.

VMBB also administers the *Special Environmental Revolving Fund* in accordance with 24 V.S.A. 4753(b). This fund was created by the Vermont Legislature for the purpose of fostering and promoting timely expenditures by municipalities for water supply, water pollution control, and solid waste management. The fund has a June 30 year-end and issues its own audited financial statements. For financial reporting purposes, its financial statements have been consolidated with the State's Federal Revenue Fund financial statements in this CAFR. Further information regarding VMBB or the Special Environmental Revolving Fund may be obtained by contacting VMBB at 58 East State Street, Montpelier, Vermont 05601-0564.

Vermont Educational and Health Buildings Financing Agency (VEHBFA) – VEHBFA is a non-profit entity which finances or assists in the financing of projects for eligible Vermont educational or health related entities. The majority of the Board of VEHBFA is appointed by the Governor of the State. The Board may appoint officers, agents, consultants and employees and fix their compensation, subject to approval of the governor. It has a December 31 (annual) year-end and issues audited financial statements under separate cover. For additional information, they may be contacted at 58 East State Street, Montpelier, Vermont 05601-0564.

Vermont Center For Geographic Information (VCGI) –VCGI is a public non-profit chartered by the State of Vermont to assist the Vermont GIS Community with creating a comprehensive strategy for the development and use of a geographic information system. VCGI is a legally separate entity which is fiscally dependent on the State as a significant portion of VCGI's funding comes from State grants. Audited financial statements or additional information may be obtained by contacting them at 58 South Main Street, Suite 2, Waterbury, Vermont 05676.

Vermont Veterans' Home – The Vermont Veterans' Home was originally chartered in 1884 by the Vermont Legislature and incorporated on November 24, 1884. A Board of Trustees appointed by the Governor oversees the operations of the Vermont Veterans' Home. The Vermont Veterans' Home is financially accountable to the State, and is therefore included as a discretely presented component unit in Vermont's CAFR. The Vermont Veterans' Home issues its own audited financial statements under separate cover. Additional information may be obtained by contacting them at 325 North Street, Bennington, Vermont 05201.

Vermont Rehabilitation Corporation – The Vermont Rehabilitation Corporation is a non-profit quasi-public corporation that was incorporated in 1935 in accordance with 10 V.S.A. 272-277. Its main purpose is to provide a limited source of loan funds to family farmers or prospective family farmers under terms and conditions which will reduce their investment costs to an extent that offers them a reasonable chance to succeed. The Vermont Rehabilitation Corporation is fiscally dependent on the State as its primary source of funding is from the Agency of Natural Resources. Additional information may be obtained by contacting the Vermont State Treasurer at 109 State Street, 4th Floor, Montpelier, Vermont 05609-6200.

Vermont Film Corporation – The Vermont Film Corporation is a non-profit public corporation, created pursuant to 10 V.S.A. 644-650, for the purpose of promoting the State as a location for commercial film and television production, and to facilitate the participation of local individuals and companies in such productions. The Vermont Film Corporation does not provide the majority of its services specifically to the State government, but, receives the majority of its funding from the State's Department of Tourism and Marketing and is therefore included as a discretely presented component unit. Additional information may be obtained by contacting the corporation at 10 Baldwin St., Drawer 33, Montpelier, Vermont 05633-2001.

Vermont Telecommunications Authority – The Vermont Telecommunications Authority was created in June 2007 pursuant to 30 V.S.A. 8061, for the purposes of ensuring that all regions of the State have access to affordable broadband and mobile telecommunications services and promoting and facilitating ongoing upgrades in statewide telecommunications infrastructure in the most efficient and economically feasible manner. The

Vermont Telecommunications Authority is considered a component unit of the State as the State has the ability to impose its will on this legally separate entity. Additional information may be obtained by contacting the corporation at One National Life Drive, Montpelier, Vermont 05620-3205.

Vermont Transportation Authority (VTA) – The Vermont Legislature specifically authorized the creation of VTA pursuant to the acquisition, operation, and support of an authorized transportation facility as defined in 29 V.S.A. 701. The VTA, currently inactive, has remained in the State Statutes in case it becomes necessary to reactivate it in the future. Additional information may be obtained from the Agency of Transportation – Rail Division, National Life Building, Montpelier, Vermont 05633–5001.

* - Indicates entity was audited by KPMG LLP.

Blended Component Unit

Vermont Information Technology Leaders, Inc. (VITL) – VITL is a legally separate non-profit public corporation whose vision is a health care system where health information is secure and readily available. VITL is a multi-stakeholder partnership facilitating participation in the process by providers, payers, employers, patients, and State agencies. VITL provides services almost entirely to the State of Vermont and therefore is reported as part of the primary government as a blended component unit. The financial statements for this component unit have been blended into the State's Special Fund. For further information, contact their administrative offices at 144 Main Street, Suite 1, Montpelier, Vermont 05602.

JOINT VENTURES

A joint venture is a legal entity or other contractual arrangement that is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain an ongoing financial interest or responsibility. The Tri-State Lotto Commission (31 V.S.A. 673) is classified as a joint venture. The financial activities' of this organization have not been included in the State's financial statements; however, see Note 13 for additional information regarding the organization.

JOINTLY-GOVERNED ORGANIZATIONS

The following organizations are classified as jointly-governed organizations, because they represent units over which control is exercised jointly by the State along with various other governmental agencies. There is no specific ongoing financial benefit or burden for the State associated with these organizations, which distinguishes these arrangements from those classified as joint ventures. The financial activities of these organizations are not included in the State's financial statements.

Connecticut River Valley Flood Control Commission (10 V.S.A. 1153)
New England Board of Higher Education (16 V.S.A. 2692)
New England Interstate Water Pollution Control Commission (10 V.S.A. 1333)
Northeastern Forest Fire Protection Commission (10 V.S.A. 2503)

RELATED ORGANIZATIONS

Related organizations are separate legal entities for which the primary government appoints a voting majority of the board members, but does not have either (a) the ability to impose its will on the organization or (b) a relationship of financial benefit or burden with the organization. The Vermont State Housing Authority (24 V.S.A. 4005) has been classified as a related organization, and thus their financial activity has not been included in the State's financial statements.

EXCLUDED ORGANIZATIONS

The following entities have been determined not to be part of the reporting entity after applying the criteria of GASB Statement No. 14 "The Financial Reporting Entity."

Vermont Council on the Humanities
Vermont Council on the Arts
Vermont Historical Society
Vermont Public Power Supply Authority
Connecticut River Atlantic Salmon Commission (10 V.S.A. 4654)
Texas Low Level Radioactive Waste Disposal Compact (10 V.S.A. 7013)

These organizations have not been included in the reporting entity because they are legally separate entities and the voting majority of their governing boards are not appointed by the State. They are not fiscally dependent on the State's primary government and exclusion from the reporting entity would not render Vermont's financial statements incomplete or misleading.

B. Government-wide Financial Statements

The State of Vermont's Government-wide Financial Statements (the Statement of Net Assets and the Statement of Activities) report information on all of the financial activities of both the primary government and its component units, except fiduciary activity. Fiduciary fund activity has not been included in these entity-wide statements in accordance with the requirements of GASB Statement No. 34. For the most part, the effect of interfund activity has also been removed from these government-wide statements. Primary government activities are segregated between governmental activities and business-type activities. Governmental activities' sources of revenues are normally taxes and inter-governmental revenues. Business-type activities rely, to a significant extent, on fees and charges for support. Further, the primary government is reported separately from its legally separate component units.

The statement of activities demonstrates the degree to which direct expenses of a given function, segment, or component unit are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function, segment, or component unit. Program revenues include charges to customers who purchase, use, or directly benefit from goods or services provided by a given function, segment, or component unit. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function, segment, or component unit. Items not properly included among program revenues are reported instead as general revenues. Taxes and other resources that are dedicated internally are reported as general revenues rather than as program revenues. The State does not allocate general government (indirect) expenses to other functions.

Net assets (the amount by which assets exceed liabilities) are reported on the Statement of Net Assets in three components:

(1) Invested in capital assets, net of related debt – total amount of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds and other debt that is related to the acquisition or construction of those assets;

(2) Restricted – for amounts when constraints placed on the net assets are either externally imposed, or are imposed by constitutional provisions or enabling legislation. The amount of governmental activities net assets restricted by enabling legislation for the State as of June 30, 2010, is $97,443,772.

(3) Unrestricted – the total net assets which do not fit the two preceding categories.

When both restricted and unrestricted resources are available for use, generally it is the State's policy to use restricted assets first with unrestricted resources utilized as needed.

C. Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, fiduciary funds, and major component units. Major governmental funds, major proprietary funds, and major component units are reported in individual columns in their respective fund financial statements. Non-major funds are consolidated and reported in a single column. The single test for classifying a fund as either major or non-major consists of applying the following two steps:

a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding element total (assets, liabilities, etc) for all funds in that category or type (that is total governmental or total enterprise), **and**
b. The same element that met the 10 percent criterion in (a) is at least 5 percent of the corresponding element total for all governmental and enterprise funds combined.

In addition to the above major fund criteria, any other governmental or enterprise fund that government officials believe is particularly important to financial statement users (i.e. because of public interest or for consistency) may be reported as a major fund.

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide Financial Statements – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. Statewide education property taxes are recognized as revenues in the year for which the taxes are levied. This property tax is levied by the State on July 1, is included in the property tax bills levied by municipalities, and is collected by municipalities. The municipalities, by December 1 and June 1, must make payment to the State Treasurer in the amount specified by the Commissioner of Taxes.

Governmental Fund Financial Statements – The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State generally considers revenues to be available if they are collected within 60 days of year-end. Major revenue sources considered susceptible to accrual include federal grants, interest on investments, and sales and income taxes. See special consideration for personal income tax revenue recognition under the "Receivables" section of this footnote.

Expenditures generally are recorded when a liability is due and payable, with the following exceptions:

a. Employees' vested annual, personal, and compensatory leave time are recorded as expenditures when utilized. The amount of accumulated leave unpaid at the end of the fiscal year has been reported only in the accrual-basis financial statements and does not include any accruals for the State's share of any payroll taxes that will be due when the expenditures are actually paid. See the "Compensated Absences" section of this footnote for additional information.
b. Interest on general long-term debt is recognized when due to be paid.
c. Debt service expenditures and claims and judgments are recorded only when payment is due to be paid.

Proprietary Funds, Fiduciary Funds, and Discretely Presented Proprietary Fund Type Component Units **–** The financial statements presented for these types of funds use the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liabilities are incurred. The State's enterprise funds have elected not to apply standards issued by the Financial Accounting Standards Board (FASB) after November 30, 1989.

Proprietary funds distinguish operating revenues and expenses from non–operating items. Operating revenues and expenses generally result from providing services, and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. Revenues and expenses not meeting this definition are categorized as non-operating revenues and expenses.

E. Fund Accounting

The financial activities of the State are recorded in individual funds, each of which is deemed to be a separate accounting entity. A fund is defined as a separate accounting entity with a self-balancing set of accounts. The State uses fund accounting to report on its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

The financial activities of the State that are reported in the accompanying financial statements have been classified into the following governmental, proprietary and fiduciary funds.

GOVERNMENTAL FUNDS

General Fund – The Vermont Legislature has established the General Fund as the basic operating fund of the State. As such, the General Fund is used to finance and to account for all expenditures for which no special revenues have otherwise been provided by law. All revenues received by the State and not otherwise required by law to be deposited in any other designated fund or used for any designated purpose are deposited in the General Fund. Unexpended and/or unencumbered appropriation balances will, unless otherwise directed by law, revert to fund balance at the end of the fiscal year to be re-appropriated in the future.

Special Revenue Funds **-** These funds are used to account for revenues specifically earmarked to finance only particular or restricted programs and activities and include the following:

Transportation Fund – This fund is a major special revenue fund. It is used primarily for preservation, maintenance, and improvements to the State's transportation infrastructure. This infrastructure includes highways, bridges, railroads, airports, public transportation, and other related activities. The fund is also used for construction of transportation capital facilities, and to provide funding for transportation related debt service requirements. The primary sources of revenue in this fund are motor fuel taxes, motor vehicle purchase and use tax, motor vehicle license and registration fees, traffic ticket revenue, other statutorily specified revenues, as well as reimbursements from the federal government for transportation projects.

Education Fund – This fund is a major special revenue fund. It was established by the Vermont Legislature to equalize statewide education funding requirements. Sources of funding and allowable expenditures are codified in 16 V.S.A. 4025. These allowable expenditures include payments to school districts and supervisory unions for the support of education, the costs of short-term borrowing, and statewide education tax income sensitivity adjustments. Funding includes the statewide education tax, allocations of other taxes, State lottery profits, Medicaid reimbursements, and appropriated transfers from the General Fund.

Special Fund – This fund is a major special revenue fund. It consolidates many individual special revenue funds that account for proceeds or specific revenues not categorized above that are legally restricted to expenditures for specific purposes. These purposes cross the entire range of State government activities.

Federal Revenue Fund – This fund is a major special revenue fund. All federal grant receipts are recorded in this fund except for those federal funds specifically designated for transportation or fish and wildlife purposes. Federal grants of these latter two types are recorded in the State's Transportation Fund or Fish and Wildlife Fund respectively.

Global Commitment (to Health) Fund – This fund is a major special revenue fund created in accordance with Section16c of 33 V.S.A. 1901e. It is the result of Vermont entering into a Medicaid demonstration waiver agreement with the Federal Government. This agreement caps Federal expenditures in Medicaid services for five years but gives Vermont great latitude in promoting universal access to health care, cost containment, and effective administration. The State will be financially at risk for managing costs within the capped limits but stands to benefit from any savings realized from program efficiencies. As part of the agreement, the Agency of Human Resources (AHS) has contracted with the Department of Vermont Health Access (DVHA), which serves as a publicly sponsored managed care organization, and adheres to all Federal managed care organization regulations.

General, Special and Federal Revenue Funds are used to fund payments of actuarially certified premiums from the Agency of Human Services to the managed care organization within the DVHA for the purpose of providing services under the global commitment to health care waiver approved by the Federal Centers for Medicare and Medicaid Services under Section 1115 of the Social Security Act. These payments are reported as transfers out of the General, Special and Federal Revenue Funds and as transfers in to the Global Commitment Fund. These funds will be expended as appropriated by the general assembly, authorized by the Director of the DVHA, and approved by the Commissioner of Finance and Management consistent with agreements between the managed care organization within the DVHA and departments delivering eligible services under the waiver.

Non-major governmental funds column includes the balances and activities of the following:

Fish and Wildlife Fund – This fund is a non-major special revenue fund. The fund's revenue is restricted by statute and can only be utilized for fish and wildlife purposes. Principal sources of revenue include license fees and federal grants.

Capital Projects Funds – These funds, consisting of the General Bond Fund and the Transportation Bond Fund, are non-major governmental funds, and account for capital improvement expenditures. These appropriations are primarily funded by the issuance of State capital bonds. These capital expenditures may be for the State directly or for outside organizations such as the Vermont State College System, municipalities, etc.

Permanent Funds – These are non-major governmental funds that report resources that are legally restricted to the extent that only earnings, not principal, may be expended for purposes that benefit the government or citizenry, such as higher education, cemetery care, and monument preservation.

PROPRIETARY FUNDS

These funds account for those activities for which the intent of management is to recover the cost of providing goods or services to the general public or other departments of government primarily through user charges; or where prudent financial management dictates that periodic determinations of results of operations are appropriate. These funds include the following types:

Enterprise Funds – These eight funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The State's intent in these funds is to recover the costs including depreciation expense associated with providing the goods and services to the public primarily through user charges. Three of these enterprise funds, reporting the activities of the State's unemployment compensation program, the liquor control board, and the State's lottery program, are reported as "major funds" while the remaining five are reported as non-major funds.

Unemployment Compensation Trust Fund – accounts for federal monies and unemployment taxes collected from employers to provide payment of benefits to the unemployed (21 V.S.A. Chapter 17).

Liquor Control Fund – accounts for the operations of the Liquor Control Board which purchases, distributes, and sells distilled spirits through its agency stores (7 V.S.A. Chapter 40).

Vermont Lottery Commission – accounts for the operations of the Vermont Lottery (31 V.S.A. Chapter 14). The net profits of the Vermont Lottery Commission used to support public education and are transferred monthly to the Education Fund.

Internal Service Funds – These twenty-two separate funds are used to account for the financing of goods and services provided by one State department to other State agencies, departments, or intergovernmental units. Their objective is not to make a profit but rather to recover the total cost of providing these goods and services by charging users of their services and products. Activities accounted for in the State's internal service funds include risk management; employee group insurance programs; equipment acquisition and maintenance; rental and maintenance of facilities; financial, human resource, audit, and information technology services; postage, copying and supply procurement services; and State vehicle fleet management. In the government-wide financial statements, Internal Service Funds are reported within the governmental activities.

FIDUCIARY FUNDS

These funds are used to account for assets held in a trustee capacity or as an agent for individuals, private organizations, or other governmental units. These funds include the following:

Pension and Other Postemployment Benefit Trust Funds – These funds are used to report assets and associated financial activity that are held in trust for the members and beneficiaries of the Vermont State Retirement (defined benefit) System, the Vermont State Defined Contribution Retirement System, the State Teachers' Retirement (defined benefit) System, the Vermont Municipal Employees' (defined benefit) Retirement System, the Vermont Municipal Employees' Defined Contribution Plan, the State's Single Deposit Investment Account, and the State Employees' Postemployment Benefit Trust Fund and the Vermont Municipal Employees' Health Benefit Fund.

Investment Trust Fund – Under the authority granted in 3 V.S.A. 523, beginning in Fiscal Year 2009, the State Treasurer created and began accepting deposits into the Vermont Pension Investment Committee (VPIC) Investment Pool, an external investment pool. The investment trust fund is used to account for the investments of the external participants in the Pool.

Private Purpose Trust Fund – The State's only fund in this category is the *Unclaimed Property Fund*, which accounts for all abandoned property that is required to be remitted to the State. The Unclaimed Property Division in the State Treasurer's Office administers procedures for returning this property to its rightful owner if they can be located. In addition to monetary assets, from time to time, the Unclaimed Property Division may have custody of tangible property that has not been valued and therefore is not reported in the financial statements. Each year, the fund retains the greater of $100,000 or fifty percent of the amount received during the previous year, and the balance, after deduction for the Unclaimed Property Division's operating expenses, is transferred to the General Fund. Additionally, amounts which have been held by the Unclaimed Property Division for at least 10 years and which are less than $100 are transferred to the Vermont Higher Education Endowment Fund (a permanent fund). It should be noted that any of the funds so transferred above will be returned to their rightful owners upon request at any time in the future.

Agency Funds – These funds report assets and liabilities for deposits and investments entrusted to the State as agent for others. They have no fund balance and report items such as Federal income tax withholding, social security tax withholding, etc.

CASH AND CASH EQUIVALENTS

Cash balances for most funds are deposited with the State Treasurer, except for the Pension Trust Funds, Investment Trust Fund, Capital Projects Funds, and the Single Deposit Investment Account Fund. Cash balances deposited with the State Treasurer are pooled together and amounts that are not immediately required are invested in short-term investments.

Income earned by these short-term investments is allocated based on average daily balances to those funds authorized to receive it while any remaining earnings are deposited in the General Fund.

Cash and cash equivalents as reported in the financial statements include bank accounts, imprest cash, short-term investments with an original maturity of three months or less such as certificates of deposit, commercial paper, federal government agencies' discount notes, money market accounts, and repurchase agreements.

INVESTMENTS

Investments are stated at fair value. Fair values of investments are based on quoted market prices. Additional information regarding types of investments and basis of valuation, see Note 2.

RECEIVABLES

Receivables in the government-wide financial statements represent amounts due to the State at June 30 that will be collected at some time in the future. They consist primarily of accrued taxes and federal grants receivable.

Receivables reported in the governmental funds financial statements consist primarily of accrued taxes, federal grants receivable, and notes receivable from drinking water and clean water special environmental loans. Other receivables include primarily fees, fines, and expenditure reimbursements due to the Medicaid program from drug companies and third party insurance companies. Revenues accrued in the governmental funds' financial statements consist primarily of accrued taxes, and notes receivable from component units that will be collected by the State within 60 days after year-end. Amounts estimated to be collected after the 60-day revenue recognition period are recorded as deferred revenues. Federal receivables are amounts due from the federal government to reimburse the State's expenditures incurred pursuant to federally funded programs. Federal grant revenues are accrued when the qualifying expenditure is incurred. Notes receivable in the General Fund consist primarily of Vermont Economic Development Authority notes purchased by the State. See Note 11 – Contingent Liabilities for further information. No allowances for uncollectible amounts have been recognized in these notes receivable.

The "Investments Sold" receivable balance on the Statement of Fiduciary Net Assets represent monies due to the respective retirement funds for investments sold or matured prior to the statement date, but for which the receipts were received subsequent to year-end.

INVENTORIES

Inventories of materials and supplies in governmental funds are recorded as expenditures when purchased. Inventories reported in the proprietary funds are valued at the lower of cost or market, except inventories reported in the Federal Surplus Property Fund (an enterprise fund) are reported at the federal acquisition cost. Cost valuation methods used in the various funds are as follows: weighted average method – Liquor Control enterprise fund, Vermont Life Magazine enterprise fund, Highway Garage internal service fund, and Offender Work Programs internal service fund; specific identification method – Vermont Lottery Commission enterprise fund, Federal Surplus Property enterprise fund, and State Surplus Property internal service fund; and first-in, first-out method – Postage internal service fund.

PREPAID EXPENSES

In the governmental funds, all purchases are recorded as expenditures when the invoice is entered for payment. In the proprietary and fiduciary funds, certain payments reflect costs applicable to future accounting periods and as such, are recorded as prepaid expenses. These prepaid items will be expensed as they are liquidated.

CAPITAL ASSETS AND DEPRECIATION

Capital assets, which include property, plant, equipment, art and historical treasures, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide Statements of Net Assets, and in the fund financial statements for the proprietary and fiduciary funds. All purchased capital assets are valued at historical cost or estimated historical cost, if actual historical cost is not available. Donated assets are valued at estimated fair market value on the date donated to the State.

Capital assets, except as stated below, have an initial cost of at least $5,000, and that provide a future economic benefit for more than 1 year. This includes capital leases and buildings that are not considered to be part of an infrastructure asset. All land and land use rights, regardless of cost, are capitalized and are not depreciated. Infrastructure assets are defined as long-lived economic resources that are normally stationary in nature, utilized primarily by the general public as opposed to State employees, cost at least $50,000 and provide future economic benefit for more than 1 year. Normally, infrastructure assets are much greater in value, have a longer economic life, and can be preserved for a greater number of years than most capital assets. Software with a cost of at least $150,000 and a useful life of more than one year is capitalized.

Capital assets are depreciated over their useful lives using the straight-line mid-month depreciation method. Useful lives for buildings are 20 to 50 years, equipment is 3 to 24 years, software is 3 to 10 years, and infrastructure assets are 6 to 80 years. Additional disclosures related to capital assets and assets acquired through capital leases are found in Notes 4 and 7, respectively.

When a capital asset is disposed of, its cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income for the period. Repairs and maintenance are recorded as expenses. Significant renewals and improvements that increase the life expectancy are capitalized and deductions are made for retirements resulting from the renewals or improvements. Interest incurred on debt issued for construction of governmental activities capital assets is not capitalized.

The majority of the historic artifacts and collections that are maintained by the various State agencies and departments are not included in the capital asset reporting. The items not reported are protected and preserved, held for public exhibition and educational purposes and the proceeds from any sales of such items are used to acquire new items for the collection.

DEFERRED REVENUE

Revenues in the government-wide financial statements and the proprietary fund financial statements are deferred if cash has been received prior to being earned. In governmental fund statements deferred revenues are recognized when revenues are unearned or unavailable.

ACCOUNTS PAYABLE

The accounts payable balances contained in the financial statements consist of operating liabilities that were incurred prior to year-end, and where payment was actually made subsequent to year-end. When paying its liabilities, it is the policy of the State to apply restricted resources first to situations where either restricted or unrestricted net assets may be used.

The “payable for investments purchased” balance for the Pension Trust Funds represents amounts due for securities purchased prior to year-end, which were paid subsequent to year-end.

ACCRUED LIABILITIES

Accrued liabilities consist of employee wages and related fringe benefit accruals earned by employees as of the statement date. Retainage payable consists of withheld portions of progress payment amounts made to contractors which will be paid by the State to the contractors upon final completion and acceptance of the contracted item or service.

TAX REFUNDS PAYABLE

Tax refunds payable primarily represent amounts owed by the State to taxpayers because of overpayment of their income tax liabilities. Tax refunds payable, which reduce respective tax revenues, are accrued to the extent they are measurable based on payments and estimates. The amount reported as tax refunds payable at June 30, 2010 in the governmental funds statements is comprised of tax refunds for filed tax returns due and payable at June 30, 2010. The amount reported as tax refunds payable at June 30, 2010 in the government–wide financial statements is comprised of estimated tax liability overpayments for the first and second calendar quarters of year 2010's tax liability as well as overpayments for calendar year 2009 and prior years' tax liabilities that have not been paid out as of June 30, 2010.

ARBITRAGE REBATE OBLIGATIONS

In accordance with Section 148(f) of the U.S. Internal Revenue Code, the State must rebate to the U.S. Government the excess of interest earned from the investment of certain debt proceeds over the yield rate of the applicable debt. Arbitrage rebate, if any, is due and payable on each five-year anniversary of the respective debt issue. As of June 30, 2010, the primary government had no outstanding arbitrage rebate obligation. The arbitrage rebate liabilities reported by the discretely-presented component units are included in "Other Long-term Liabilities" in the government-wide statement of net assets.

ENCUMBRANCES

Contracts and purchasing commitments are recorded as encumbrances when the contract or purchase order is executed. When the terms of the purchase order or contract have been fulfilled and payment to the contracting party is due, the encumbrance is liquidated and the liability and expenditure are recorded. Encumbrances remaining at fiscal year-end are reported in the Reserved for Encumbrances account as a component of fund equity for the governmental fund types.

FUND BALANCES

Fund balances for governmental funds are classified as either reserved or unreserved. Reserved fund balances reflect either (1) assets which, by their nature, are not available for appropriation such as "reserved of advances and notes receivable;" (2) funds legally separated for a specific use such as "reserved for encumbrances;" or (3) funds segregated by legal restrictions such as "reserved for endowments" that includes the non-expendable portion of the permanent funds. Certain other reservations of the Governmental Funds' fund balances are described below.

Budget Stabilization Reserve – These reserves are established in the General, Transportation, and Education funds. They were created to reduce the effects of annual variations in State revenues by reserving certain surpluses of revenue. See Note 10 for a more complete disclosure of these reserves as it pertains to the current fiscal year.

Reserved for Debt Service – The reserve for debt service includes the premium on the sale of general obligation bonds sold during the fiscal year. This will be appropriated in the following fiscal year to be used on the first payment of principal or interest due on the bonds.

Reserved for Human Caseload Management – The General Fund reserve for human caseload management, established pursuant to 32 V.S.A. Section 308b(a) was created to be available for appropriation to meet caseload-related needs at the Agency of Human Services. The Secretary of Administration may transfer to this reserve any general fund unexpended appropriations directly attributable to Aid To Needy Families With Children (ANFC) caseload reductions and the effective management of related federal receipts.

COMPENSATED ABSENCES

Compensated absences' liabilities include amounts for accumulated unpaid vacation, compensatory time, and personal leave credits. Classified State employees accrue vacation leave based on the number of years employed up to a maximum rate of 24 days annually and may not accumulate more than a maximum of 45 days (360 hours) at any one time. This liability is expected to be liquidated in future periods as either salary payments or cash payments upon termination of employment. Compensatory time and personal leave time accumulates as earned by the employees but must be taken within an accrual year or forfeited.

Liabilities for compensated absences are recorded in the government wide statement activity where the employees are assigned, and in the funds, where applicable. The amounts are calculated based on an employee's pay rate in effect as of year-end. Additional information including changes in balances may be found in Note 16 – Changes in Long-term Liabilities.

Employees earn sick leave credits based on the number of years employed with a maximum accrual rate of 21 days per fiscal year. Sick leave may only be liquidated if and when sickness or injury is incurred. Additionally, if employment is terminated, any sick leave that the individual may have accrued is forfeited without any payout; therefore, it is not an accruable liability to the State. There is no limit on the amount of sick leave an employee may accumulate.

BOND DISCOUNTS, PREMIUMS, AND ISSUANCE COSTS

In the government-wide financial statements, bond discounts/premiums and issuance costs are deferred and amortized over the term of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issue costs are reported as deferred charges.

In the fund financial statements, governmental fund types recognize bond discounts, premiums and issuance costs in the period the bond proceeds are received. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issued are reported as other financing sources while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as expenditures.

INTERFUND TRANSACTIONS

Interfund Loans – Short-term loans between funds outstanding at year-end for such things as cash overdrafts are recorded as Interfund Receivables/Payables. Advances To/From Other Funds represent long-term interfund loans receivable and payable.

Reimbursements – Reimbursements result when one fund makes an expenditure for a second fund when that expenditure or expense is properly applicable to the second fund. Reimbursement transactions reduce expenditures in the reimbursed fund and increase expenditures/expenses in the reimbursing fund.

Quasi-External Transactions –These transactions occur between two government funds that would be accounted for as revenue and expenditures if they occurred between a government entity and a private sector entity.

Transfers – These transfers encompass all types of transfers, except for the residual equity transfers, and are primarily routine transfers of appropriation resources between funds. Transfers are not revenue, expenditures, or expenses, and are classified as "Other Financing Sources (Uses)" in the operating statements of the governmental funds and in a separate subsection before net income in the proprietary funds.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of

assets and liabilities, that affect disclosure of contingent assets and liabilities as of the date of the financial statements, and that affect the reported amounts of revenues and expenses for the reporting period. Actual results could differ from these estimates.

Note 2: CASH, CASH EQUIVALENTS AND INVESTMENTS

A. Primary Government – Excluding All Pension Trust Funds

Deposits and investments for the primary government are governed by State statutes. When depositing public monies, the State Treasurer must act in accordance with 32 V.S.A. 431. Although the statute provides requirements for the collateralization of deposits, it does not establish limits. These limits are set by published formal guidelines issued by the State Treasurer. The State has an investment policy with an overriding goal of minimizing exposure to risk and maintaining liquidity necessary for future cash needs while maximizing the return on investments. Two sections of State statute govern the investment of the State's operating and restricted cash (i.e., non-pension funds).

When investing public monies, the State Treasurer must act in accordance with 32 V.S.A. 433. Types of investments allowed include obligations of the United States, its agencies and instrumentalities, and any repurchase agreements whose underlying collateral consists of such obligations or other approved money market instruments; certificates of deposit issued by banks and savings and loan associations approved by the State Treasurer; prime bankers' acceptances; prime commercial paper; tax exempt securities; and domestic money market funds. Also, the State Treasurer's Office issues additional formal guidance that is reviewed periodically, to assure that the three investment objectives -- safety, liquidity, and yield -- are met.

The statutory guidelines for certain trust funds are contained in 32 V.S.A. 434, referred collectively as the Trust Investment Account. These include the Tobacco Trust Fund, the Higher Education Trust Fund, the ANR Stewardship Fund, two Veterans' Home trusts, the Fish and Wildlife Trust, Vermont State Retirement OPEB Fund, and various small trusts.

The State Treasurer may invest funds in accordance with the standard of care established by the prudent investor rule and apply the same investment objectives and policies adopted by the Vermont State Employees' Retirement System, where appropriate, to the investment of funds in the Trust Investment Account.

Deposits - Custodial Credit Risk

The custodial credit risk for deposits is the risk that in the event of a depository financial institution failure, the government will not be able to recover funds deposited in the failed institution or will not be able to recover collateral securities that are in the possession of an outside party. Deposits are exposed to custodial credit risk if they are not covered by depository (FDIC) insurance and uncollateralized; or collateralized with securities held by the pledging financial institution, it's trust department or agent, that are not registered in the depositor – government's name. Although State statute does not require deposits to be collateralized, the Treasurer requires the State's cash deposits held in its primary bank to be collateralized with either United States Treasury securities or Vermont municipal securities or other approved money market instruments. Certificates of deposit are collateralized, in whole or in part, on the basis of agreements with the bank, a protocol requiring periodic due diligence and review of bank capitalization and assets. Bank deposits in excess of the FDIC amounts and collateral agreements are uninsured and uncollateralized. Bank balances of deposits for the primary government, excluding pension trust funds, as of June 30, 2010, (including certificates of deposits) were $294,792,211. Of these, $4,633,386 was exposed to custodial credit risk as uninsured and uncollateralized

Investments

Investments are stated at market value in the case of marketable securities and at estimated fair value for certain nonmarketable securities. Money market and other short-term investments are reported at market value when published market prices and quotations are available, or at amortized cost, which approximates fair value.

Management at the State Treasurer's Office is responsible for the fair value measurements of investments reported in the financial statements. The State Treasurer's Office has implemented policies and procedures to assess the reasonableness of the fair values provided; the Office believes that reported fair values at the balance sheet date are reasonable.

(a) Interest Rate Risk – Investments
Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The primary government's investments, other than pension and investment trust funds' investments, at June 30, 2010 are presented below.

Primary Government Investments - Excluding Pension and Investment Trust Funds
(Expressed in Thousands)

		Investment Maturities (in years)			
Investment Type	**Fair Value**	**Less Than 1**	**1 to <6**	**6 to 10**	**More Than 10**
Debt Investments					
US Agencies/Treasuries	$ 40,570	$ 177	$ 1,017	$ 2,066	$ 37,310
Money Market Mutual Fund	161,701	161,701	-	-	-
Bond Mutual Fund	2,948	-	2,948	-	-
Other	413	39	181	94	99
Total Debt Investments	205,632	$ 161,917	$ 4,146	$ 2,160	$ 37,409
Other Investments					
Equity Securities	17,203				
US Unemployment Trust Pool	16,907				
Total	**$ 239,742**				

The above includes instruments that are classified as cash and short-term investments for balance sheet purposes. The following is a reconciliation of the investment types to the financial statement presentation (*in Thousands*).

Primary Government - Excluding Pension and Investment Trust Funds

Investments per maturity schedule	$	239,742
Included in cash & cash equivalents:		
Money market mutual fund		(159,741)
Certificates of deposit		15,710
US Treasury trust pool		(16,907)
Financial statement investments total	**$**	**78,804**
Governmental activities total	$	68,665
Business activities total		2,279
Fiduciary - OPEB trust		6,387
Fiduciary - private purpose trust fund		1,473
Total	**$**	**78,804**

(b) Concentration of Credit Risk
Concentration of credit risk is the risk of loss attributable to the monetary magnitude of the State's investment in a single issuer. While State statute does not establish ceilings, formal investment guidelines for operating funds limit the amount invested to 10% in any one issuer of commercial paper, corporate securities, or bankers' acceptances. There are no limitations for U.S. Government and Federal Agencies. Money market funds utilized by the State Treasurer's Office are highly rated and incorporate the requisite diversification. As of June 30, 2010, no single issuer exceeded 5% for the primary government portfolios.

(c) Custodial Credit Risk
For investments, custodial credit risk is the risk that a government will not be able to recover the value of an investment or collateral securities that are in the possession of an outside party if the counterparty to the transaction fails. The State has no formal policy on custodial credit risk but maintains contractual relationships with custodian banks that provide coverage and define the procedures. As of June 30, 2010 all securities were registered in the name of the State at its custodian bank. Investments in open-end mutual funds are not exposed to custodial risk because their existence is not evidenced by specific securities.

(d) Credit Risk
Credit risk is the possibility that the issuer or other counterparty to an investment may default on their obligations. In non-pension funds this risk has been mitigated by implementing statutory guidelines on credit quality and further restricted by formal investment guidelines and the use of low-risk money market instruments. The credit risk associated with the State's debt securities, money market funds, bond mutual funds, and other pools of fixed income securities, exclusive of pension fund investments, as of June 30, 2010, is presented as follows using the Moody's rating scale.

Primary Government Rated Debt Investments
Excluding Pension and Investment Trust Funds
(Expressed in Thousands)

Debt Investments	Fair Value	Quality Ratings	
		Aaa	Unrated
US Agencies/Treasuries	$ 40,570	$ 40,570	$ -
Money Market Mutual Fund	161,701	161,701	-
Bond Mutual Fund	2,948	-	2,948
Other	413	-	413

(d) Foreign Currency Risk
Foreign currency risk is the extent to which changes in exchange rates affect the value of an investment. Vermont's operating funds are restricted, through statute and formal guidelines, to specific money market instruments and money market funds who only invest in domestic instruments. In the Trust Investment Account portfolio, total exposure to foreign currency risk as of June 30, 2010, valued in US dollars, is $375,199. This consists of $113,875 Canadian Dollar, and $261,324 Euro Currency investments.

B. Primary Government – Pension Trust Funds and the Vermont Municipal Employees Health Benefit Fund

The State has three defined benefit plans (Vermont State Retirement System (VSRS), State Teachers Retirement System (STRS), and Vermont Municipal Employees' Retirement System (MERS)); three defined

contribution plans (VSRS, MERS, and Single Deposit Investment Account); and two other post employment benefit funds.

By statute, the assets of the three defined benefit plans are invested on behalf of each plan's Trustees through the Vermont Pension Investment Committee (VPIC), which was established by the Vermont Legislature (Title 3 V.S.A. Chapter 17), effective July 1, 2005, to combine the assets of the VSRS, STRS and MERS defined benefit plans for the purpose of (i) investment in a manner that is more cost- and resource-efficient; (ii) improving the effectiveness of the oversight and management of the assets of the Retirement Systems; and (iii) maintaining the actuarial, accounting, and asset allocation integrity of the Retirement Systems. The majority of these assets have been pooled for investment purposes. Effective May 31, 2006, legislation amended VPIC's authority allowing VPIC to enter into agreements with municipalities administering their own retirement systems to invest retirement funds for those municipal plans. On November 1, 2007, the City of Burlington, Vermont pooled its investments with the majority of the assets of the State, Teachers and Municipal defined benefit plans pursuant to a change in State statute permitting Vermont municipalities to pool their funds with the VPIC thereby creating an "external investment pool." An "external investment pool" is defined by GASB 31 as the commingling and investing of the monies of more than one legally separate entity, on the participants' behalf, in an investment portfolio. In this case, one of the participants, the City of Burlington, is not part of the State's reporting entity. Each of the participating funds has an equity position in the external pool and individual investment securities are not specifically identified to any of the participating funds. As a result, the "pooled investment" is a net equity position, incorporating the results of the underlying securities, receivables and liabilities. Earnings in each pooled investment are allocated based on the month-end balances of each of the respective systems.

The three defined benefit plans and the City of Burlington's assets managed by VPIC are externally managed in the pool established July 1, 2005 with a startup share price of $1,000. Ownership in the pool is based on the number of shares held by each member. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction.

The pool's net assets and statement of changes in net assets are as follows.

STATE OF VERMONT
INVESTMENT POOL
STATEMENTS OF NET ASSETS
June 30, 2010
(in thousands)

Assets:		
Cash and short term investments	$	40,136
Receivables:		
Interest and dividends		10,922
Investments sold		104,488
Total receivables		**115,410**
Investments at Fair value:		
Fixed income		848,400
Equities		886,644
Mutual funds		1,009,613
Real estate and venture capital		114,279
Invested securities lending collateral		433,048
Total investments		**3,291,984**
Total assets		**3,447,530**
Liabilities:		
Accounts payable		118
Other liabilities		105
Payable for investments purchased		135,772
Securities lending obligations		433,048
Total liabilities		**569,043**
Net assets held in trust for investment pool participants	**$**	**2,878,487**

Vermont Pension Investment Committee
Investment Pool
Statement of Changes in Net Assets
For the Fiscal Year Ended June 30, 2010
(in thousands)

Additions :		
Investment Income:		
Net depreciation in fair value of investments	$	373,037
Dividends		49,518
Interest income		42,565
Securities lending income		90
Other income		223
Total investment gain		**465,433**
Total additions		**465,433**
Deductions:		
Net pool participant withdrawals		82,962
Operating expenses		1,161
Total deductions		**84,123**
Change in net assets		**381,310**
Net assets held in trust for pool participants:		
July 1		**2,497,177**
June 30	**$**	**2,878,487**
Vermont State Retirement System	$	1,161,739
State Teacher's Retirement System		1,294,423
Vermont Municipal Employees' Retirement System		320,562
City of Burlington		101,763
June 30	**$**	**2,878,487**

All three defined benefit plans managed by the State have adopted a common asset allocation as determined by the VPIC. As of October 29, 2009, the VPIC adopted a set of investment policies and guidelines common to all three defined benefit plans. These are used by VPIC with the objective of maximizing returns within acceptable risk parameters.

The State's Single Deposit Investment Account (SDIA), a non-contributory defined contribution plan, is invested in two intermediate term bond portfolios managed by two different investment managers. The investment policy governing the SDIA portfolios includes a minimum average credit quality of double-A, no bonds rated below investment grade, and limitations on asset-backed, mortgage-backed, collateralized Mortgage Obligations, corporate bonds, and single issuers of non-treasury/government agency backed bonds. The bonds are "wrapped" by an insurance policy guaranteeing the book principal value of investment to SDIA Account participants. This insurance wrapper requires monthly adjustments of participant crediting rates based on the

changing market value of the portfolio. The insurance provider is rated AA- by Standard & Poor's and Fitch and A1 by Moody's.

The Vermont State Retirement's defined contribution plan's trustee is the State Treasurer. The Vermont Municipal Employees' Retirement System Board of Trustees is the trustee for the Vermont Municipal Employees' defined contribution plan. Both plans are administered by Fidelity Investments Institutional Operations Company. Investment choices are made by participants from a range of funds approved by the trustees' for the plans. Investment options are Fidelity and non-Fidelity mutual funds including large and small market capitalization equities (actively managed and indexed), international equities, fixed income securities, balanced funds, target retirement date age based funds, and a stable value fund. Funds included in the plans were selected based on consideration of fund performance for one and multi-year periods, performance ranked against peer group funds in asset class, management fee expense ratios, fund asset class and investment objectives, historical annual returns, Morningstar ratings, performance in various stages of the capital market cycle, and consultant recommendations as to the optimal number of funds and appropriate asset classes. Fidelity provides quarterly investment reports and analysis that are reviewed by Treasury staff, the State Treasurer and Vermont Municipal Employees' Retirement's Board.

The State has two other post benefit employment funds, the Vermont State Post Employment Benefits Trust Fund (State OPEB) and the Vermont Municipal Employees health benefit Fund (Muni OPEB). These are described in Note 5. The "State OPEB" is invested in the Trust Investment Account utilized as an investment vehicle by many of the State's primary funds, exclusive of pension funds, and is included in the cash and investment disclosures for the primary government as is its cash deposits. The "Muni OPEB" in invested under the authority of the Municipal Retirement Board of Trustees and utilizes an outside administrator, ICMA-RC employing mutual funds. Disclosures related to its cash and investments are included below.

Deposits - Custodial Credit Risk
The pension trust funds' cash deposits, outside of the pension trust funds' custodian bank, totaled $7,056,786, none of which was exposed to custodial credit risk.

Investments
Custodial credit risk for investments is the risk that a government will not be able to recover the value of an investment or collateral securities that are in the possession of an outside party if the counterparty to the transaction fails. The VPIC manages exposure to custodial credit risk by requiring all relevant investment managers to hold investments in separate accounts with VPIC's custodian. VPIC guidelines specify the custodial requirements for these accounts and the duties of the managers and the custodian. As of June 30, 2010 all securities were registered in the name of the State at its custodian bank. Investments in pools, open-end mutual funds, and other investments not evidenced by specific securities are not categorized.

Investments are stated at market value in the case of marketable securities and at estimated fair value for certain nonmarketable securities. Money market and other short-term investments are reported at market value when published market prices and quotations are available, or at amortized cost, which approximates fair value. Real estate (including timber investments) is carried at the net asset value of each retirement system's real estate fund investment(s), which net asset value is further based on the fair market value of the real properties. Properties' fair market values in each of the retirement systems' fund investments are established quarterly by real estate fund manager appraisals and are validated at least yearly by third-party property appraisals. Nonmarketable securities include alternative investments such as private equity and venture capital, which are valued using current estimates of fair value obtained from the investment manager in the absence of readily determinable public market values. Such valuations generally consider variables such as the high, medium, and low values for portfolio investments; the investments' exit timetables, and the status of any proceedings leading to a liquidity event; the financial performance of investments, including comparison of comparable companies' earning multiples; cash flow analysis; and recent sales prices of investments. Management at the State Treasurer's Office is responsible for the fair value measurements of investments reported in the financial statements. The State Treasurer's Office has implemented policies and procedures to assess the reasonableness of the fair values provided; the Office believes that reported fair values at the balance sheet date are reasonable.

(a) Interest Rate Risk – Investments

As pension trust funds have a different investment term horizon based on a long average liability term, the VPIC manages exposure to fair value loss arising from movements in interest rates by establishing duration guidelines with its debt securities with core, core plus and Global Fixed Income investment managers, requiring that the duration be within a specified percentage of the duration band of the appropriate benchmark index. In the case of domestic Core Fixed Income managers the average duration (interest rate sensitivity) of an actively managed portfolio shall not differ from the appropriate passive benchmark's duration by more than +/- 25 percent. The Core Plus portfolio restriction is +/- two years around the passive benchmark duration. With respect to Global Fixed Income portfolios, current portfolio durations are restricted to a range of one to ten years. High yield fixed income portfolios prices and yields are not as directly correlated with the general level of interest rates and are duration monitored but not duration restricted. The calculation of the duration of mortgage backed securities involves assumptions as to the expected future prepayment rate for the security. The managers are required to calculate duration at the time of initial purchase and on a routine basis to maintain compliance with these guidelines. Fixed income managers are required to report portfolio characteristics quarterly inclusive of portfolio duration as a measure of portfolio interest rate sensitivity. Pension and Investment Trust Funds' Investments are as follows.

Pension, Vermont Municipal Employees Health Benefit and Investment Trust Funds' Investments
(Expressed in Thousands)

		Investment Maturities (In Years)			
Investment Type	**Fair Value**	**Less Than 1**	**1 to < 6**	**6 to 10**	**More Than 10**
Debt Investments					
US Agencies/Treasuries	$ 340,761	$ 2,311	$ 83,323	$ 140,985	$ 114,142
Corporate Debt	347,485	9,509	174,628	119,552	43,796
Money Market Mutual Fund	34,571	34,571	-	-	-
Municipals	10,896	601	-	-	10,295
Asset Backed Securities	12,870	238	4,117	1,873	6,642
Mortgage Backed Securities	84,346	-	-	1,775	82,571
Sovereign Debt	129,193	14,317	52,029	38,560	24,287
Repurchase Agreements	7,900	7,900	-	-	-
Commercial Paper	1,500	1,500	-	-	-
Total Debt Investments	969,522	$ 70,947	$ 314,097	$ 302,745	$ 281,733
Other Investments					
Mutual Funds	1,069,189				
Equity Securities	886,652				
Real Estate - Venture Capital	115,316				
Fixed Income - Derivatives	(1,114)				
Total	**$ 3,039,565**				

(b) Concentration of Credit Risk

Formal guidelines for pension funds state that no more than 5% of the market value of a portfolio's domestic fixed income assets may be invested in the debt securities of any one issuer. No limitations on issues and issuers shall apply to obligations of U.S. Government and Federal Agencies. As of June 30, 2010, no issuer exceeded 5%.

(c) Credit Risk of Debt Investments

Detailed pension guidelines by asset class and supplemental requirements by investment manager are used to set risk parameters and are stated in written contracts. These guidelines are reviewed and adopted by VPIC. Treasury staff and independent investment consultants are utilized to assure compliance. The credit risks associated with the Pension Trust securities are as follows.

Pension, Vermont Municipal Employees Health Benefit and Investment Trust Funds' Investments
(Expressed in Thousands)

Debt Investments	Fair Value	Quality Ratings Aaa	Aa	A
US Government Agencies/Treasuries	$ 340,761	$340,761	$ -	$ -
Corporate Debt	347,485	34,770	28,843	47,188
Money Market Mutual Fund	34,571	-	-	-
Municipals	10,896	-	6,251	2,810
Asset Backed Securities	12,870	5,116	575	204
Mortgage Backed Securities	84,346	24,562	3,907	6,369
Sovereign Debt	129,193	64,360	36,949	18,088
Repurchase Agreement	7,900	-	7,900	-
Commercial Paper	1,500	-	-	-

continued below

Debt Investments	Quality Ratings Baa	Ba	B and below	Unrated
US Government Agencies/Treasuries	$ -	$ -	$ -	$ -
Corporate Debt	63,333	43,804	115,224	14,323
Money Market Mutual Fund	-	-	-	34,571
Municipals	-	-	-	1,835
Asset Backed Securities	1,583	1,383	1,141	2,868
Mortgage Backed Securities	1,389	2,605	15,704	29,810
Sovereign Debt	5,861	3,935	-	-
Repurchase Agreement	-	-	-	-
Commercial Paper	-	-	-	1,500

d) Foreign Currency Risk

Unless VPIC stipulates specific exceptions to the guidelines, the global bond portfolio may hold no more than 30% of its assets, at market value, or 120% of each country's benchmark weight (whichever is greater) in the debt securities of any single foreign government or non-U.S. government entity. For the purposes of this calculation, all countries within the European Single Currency shall count as one country. Single non-government debt security limitations are also set for the global bond portfolio. In the case of equities, the investment manager is afforded flexibility in the number of issues held and their geographic or industry distribution, provided that equity holdings are within the lesser of established percentage ranges in relative to single holding limitations and a stock's weighting in the style benchmark against which the manager is measured. Most foreign currency exposure is in the pension and investment trust funds' portfolios. The value in US dollars by foreign currency denomination and type of investment is as follows.

Pension, Vermont Municipal Employees Health Benefit and Investment Trust Funds' Investments
Foreign Currency Risk - International Securities at Fair Value
(Expressed in Thousands)

Currency	Total	Short Term	Debt	Equity
Australian Dollar	$ 50,304	$ 446	$ 25,724	$ 24,134
Brazilian Real	101	-	101	-
Canadian Dollar	18,805	96	14,717	3,992
Danish Krone	1,691	147	-	1,544
Euro Currency	129,522	1,968	26,404	101,150
Hong Kong Dollar	5,586	4	-	5,582
Indonesian Rupiah	3,935	-	3,935	-
Israeli Shekel	637	4	-	633
Japanese Yen	118,291	779	36,908	80,604
Malaysian Ringgit	6,682	12	5,927	743
Mexican Peso	5,358	646	4,622	90
New Taiwan Dollar	1,984	-	-	1,984
New Zealand Dollar	5,187	122	4,121	944
Norwegian Krone	5,317	24	4,730	563
Pakistan Rupee	252	5	-	247
Polish Zloty	10,057	-	9,950	107
Pound Sterling	54,527	468	5,661	48,398
Singapore Dollar	12,756	-	-	12,756
South African Rand	3,646	-	1,363	2,283
Swedish Krona	10,284	1	4,827	5,456
Swiss Franc	14,488	34	-	14,454
Thailand Baht	455	-	-	455
Turkish Lira	3,380	138	-	3,242
Total	$ 463,245	$ 4,894	$ 148,990	$ 309,361

Formal investment policy guidelines adopted by the VPIC state that international equity managers may enter into forward exchange contracts on currency provided that use of such contracts is designed to dampen portfolio volatility and facilitate securities transaction settlements rather than leverage portfolio risk exposure. In global fixed income accounts, opportunistic currency positioning may be utilized to hedge and cross-hedge the portfolio's currency risk exposure or in the settlement of securities transactions. The managers may vary the total portfolio exposure to currency from fully unhedged to fully hedged. The global fixed income managers are permitted to hedge all, some, or none of the portfolio's currency exposure. They are permitted to cross-hedge currency positions, but may not net short any currency, or net long more than 100% of the portfolio. VPIC has funds allocated to a global allocation asset manager in the form of shares of a commingled trust. The manager for this trust may enter into long and/or short positions in currencies of the countries represented in established indices. The strategy is permitted to cross-hedge currency exposure and will actively manage its currency exposure. This active management may go beyond fully-hedged or unhedged currency exposure, and is provided for by a specific exemption to the VPIC general guidelines.

Securities Lending Transactions

State statutes and boards of trustees' policies permit the Office of the Vermont State Treasurer to use investments of the three defined benefit pension plans to enter into securities lending transactions/loans of securities to broker dealers and other entities for collateral, with a simultaneous agreement to return the collateral for the same securities in the future. Pursuant to a Securities Lending Authorization Agreement, State

Street Bank and Trust Company (State Street) was authorized to act as agent in lending securities to broker-dealers and banks.

During the fiscal year, State Street loaned, on behalf of the State, certain securities held by State Street as custodian, and received United States and foreign currency cash, or securities issued or guaranteed by the United States government as collateral. Borrowers were required to deliver collateral for each loan equal to not less than one hundred and two percent (102%) of the market value of the loaned security.

The State did not impose any restrictions during the fiscal year on the amount of the loans that State Street made on its behalf. Pursuant to the Securities Lending Authorization Agreement, State Street had an obligation to provide a form of indemnification to the State in the event of default by a borrower. On June 30, 2010 Vermont had no credit risk exposure to borrowers.

During the fiscal year, the State and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other qualified tax-exempt plan lenders, in a collective investment pool. As of June 30, 2010, such investment pool had an average duration of 29.64 days and an average weighted final maturity of 244.18 days for United States Dollar (USD) collateral. Because the loans were terminable at will their duration did not generally match the duration of the investments made with cash collateral. The collateral held and the market values of securities on loan for Vermont as of June 30, 2010 were $446,599,511 and $434,290,599, respectively.

The defined benefit pension trust funds report securities lent (the underlying securities) as assets on the Statement of Plan Net Assets. Cash received as collateral on securities lending transactions and investments made with that cash are reported as assets. A corresponding liability is recorded as the defined benefit pension trust funds must return the cash collateral to the borrower upon expiration of the loan. Security lending transactions in the VPIC pooled fund are allocated to the participating funds based on a pro rata share determined based on their equity in the pooled investments participating in the lending program. Since State Street, acting on behalf of the State, did not have the ability to pledge or sell collateral securities absent a borrower default, these securities are not recorded as an asset with a corresponding liability on the financial statements. The cash collateral of $433,048,119 is invested in the State Street Quality D Short-term Investment Fund, all in USD currency. The fund is not rated by a Nationally Recognized Statistical Rating Organization. The investments purchased with cash collateral are held by the custodial agent, but not in the name of the fund. The market value of the invested collateral is $428,469,011 as of June 30, 2010.

Authority to enter into securities lending transactions for the 3 retirement plans is as follows:
3 V.S.A. 471(m) Vermont State Employees' Retirement Fund
16 V.S.A. 1942(q) Vermont Teachers' Retirement Fund
24 V.S.A. 5062(o) Vermont Municipal Employees' Retirement Fund

C. Derivative Financial Instruments

The State does not have any derivatives associated with issuance of debt. Certain Investment Managers (Managers) for the Vermont Pension Investment Committee (VPIC) invest in derivative financial investments as authorized by the VPIC policy. Derivatives are financial arrangements between two parties whose payments are based on, or "derived" from, the performance of some agreed upon benchmark. Disclosures related to derivatives positions required under Governmental Accounting Standards Board Statement No. 53 – "Accounting and Financial Reporting for Derivative Instruments" (GASB No. 53) apply only to those derivative instruments held directly by the VPIC on behalf of the defined benefit plans and the external investment trust and not those held within commingled fund investment vehicles. During the fiscal year ending June 30, 2010, the VPIC terminated a separately managed contract including derivative instruments in favor of a comingled vehicle. The Pension Trust Funds do not have hedgeable assets or liabilities, and all derivative instruments are considered investment derivatives, with corresponding changes in fair value reported in investment income. All activity for these instruments are reflected in the VPIC external investment pool, which is then allocated to the participating three defined benefit plans and the investment trust fund. Therefore, the fair value of all derivative financial

instruments are reported in the Statement of Fiduciary Net Assets. All of the derivatives reported at June 30, 2010, are at fair market value.

Derivative instruments may be used for any of the following purposes;

- To gain market exposure.
- To convert financial exposure in a given currency to that of another currency (e.g., to hedge Japanese Yen exposure back to the U.S. dollar). Any and all international Managers may enter into foreign exchange contracts on currency provided that: a) such contracts are one year or less, and b) use of such contracts is limited solely and exclusively to hedging currency exposure existing within the Manager's portfolio. There shall be no foreign currency speculation or any related investment activity, with the exception of currency hedging. Managers who enter into currency hedging will be guided by specific risk parameters in their contracts.
- To adjust the duration of a bond portfolio in a manner that is consistent with the accepted approach of the Manager and other contract terms applicable to the Manager.
- To make portfolio adjustments that are consistent with other elements of the VPIC's investment policies and that do not systematically increase risk or expected volatility of the rate-of-return of the total portfolio.
- For trading purposes which are intended to enhance investment returns. This purpose is subject to the requirement that it be consistent with other elements of the VPIC's investment policies and that it does not systematically increase the risk or expected volatility of the rate of return of the total portfolio.

All other uses of derivatives are prohibited unless specifically approved by the VPIC. Managers are expected to have internal risk management programs in place to ensure that derivatives-based strategies do not result in inappropriate risks to the VPIC Portfolio. Separately managed funds include the following reporting requirements: a list of all derivative positions as of quarter-end; an assessment of how the derivative positions affect the risk exposures of the total portfolio; an explanation of any significant pricing discrepancies between the Manager and custodian bank; an explanation of any non-compliance. Commingled funds provide the VPIC with a quarterly list of derivative positions and assessment of the effect on the risk exposure of the portfolio.

For derivative securities, the Custodian Bank is required to obtain two independent prices, or to notify the VPIC that two independent prices are not available. Managers are required to reconcile the valuations of all derivatives positions on a monthly basis with the Custodian Bank. Derivatives, which are futures contracts, are CFTC approved and exchange-traded. Options may either be exchange-traded or traded over-the-counter (OTC).

Futures represent commitments to purchase (asset) or sell (liability) securities at a future date and at a specified price. Futures contracts are traded on organized exchanges (exchange traded) thereby minimizing the VPIC's credit risk. The net change in the futures contracts value is settled daily in cash with the exchanges. Net gains or losses resulting from the daily settlements are included with trading account securities gains (losses) in the Statement of Changes in Fiduciary Net Assets. At June 30, 2010, the VPIC's investments had the following changes in fair value from June 30, 2009 to June 30, 2010, and market value as of June 30, 2010.

	Changes in Fair Value		Fair Value at June 30, 2010		
Investment Derivatives	**Classification**	**Amount**	**Classification**	**Amount**	**Notional**
Fixed income futures long	Investment revenue	$ 1,329,385	Futures	$ -	$ -
Fixed income futures short	Investment revenue	(571,814)	Futures	-	(1,400,000)
Index futures long	Investment revenue	58,985,771	Futures	-	-
Index futures short	Investment revenue	(3,188,051)	Futures	-	-

Currency forwards represent forward foreign exchange contracts that are entered into in order to hedge the exposure to changes in foreign currency exchange rate on the foreign currency dominated portfolio holdings. A forward foreign exchange contract is a commitment to purchase or sell a foreign currency at a future date at a negotiated forward rate. The gain or loss arising from the difference between the original contracts and the closing of such contracts is included in the net realized gains or losses on foreign currency related transactions in the Statement of Changes in Fiduciary Net Assets. At June 30, 2010, the VPIC's investments included the following currency forwards balances.

	Changes in Fair Value		Fair Value at June 30, 2010	
Investment Derivatives	**Classification**	**Amount**	**Classification**	**Amount**
FX forwards	Investment revenue	$ 2,314,094	Long term instruments	$ 2,517,225

Only forward currency contracts are defined as derivatives per GASB No. 53 are reported above; currency spot contracts are not included.

Risk of loss arises from changes in currency exchange rates. Below is a listing of currency forward positions as of June 30, 2010, and the associated currencies.

Transaction Type	Base Current Value	Open Buy Equivalent Amount	Open Sell Equivalent Amount	Currency	Unrealized Gain/Loss
Cross deals between two foreign currencies					
	$ 632,839	$ 621,134	$ 621,134	BoughtGBP/SoldEUR	$ 11,705
	14,505,912	14,994,873	14,994,873	BoughtGBP/SoldEUR	(488,961)
	13,673,458	14,994,873	14,994,873	SoldEUR/BoughtGBP	1,321,415
	603,688	621,134	621,134	SoldEUR/BoughtGBP	17,446
			Sub-Total…….		**861,605**
Pending foreign exchange purchases					
	47,739	45,941	45,941	BoughtBRL/SoldUSD	1,798
	4,363,374	4,409,488	4,409,487	BoughtBRL/SoldUSD	(46,114)
	2,375,143	2,422,000	2,422,000	BoughtCNY/SoldUSD	(46,857)
	2,434,550	2,393,363	2,393,363	BoughtEUR/SoldUSD	41,187
	12,913,906	12,533,017	12,533,017	BoughtGBP/SoldUSD	380,889
	1,067,272	1,174,635	1,174,635	BoughtKRW/SoldUSD	(107,363)
	4,225,590	4,541,722	4,541,722	BoughtKRW/SoldUSD	(316,132)
	1,628,668	1,603,644	1,603,644	BoughtNZD/SoldUSD	25,024
	862,266	885,672	885,672	BoughtPLN/SoldUSD	(23,406)
	4,204,521	4,156,020	4,156,020	BoughtTRY/SoldUSD	48,501
			Sub-Total…….		**(42,473)**
Pending foreign exchange sales					
	9,950,847	10,804,457	10,804,457	SoldAUD/BoughtUSD	853,610
	47,739	47,572	47,572	SoldBRL/BoughtUSD	(167)
	1,198,533	1,194,354	1,194,354	SoldBRL/BoughtUSD	(4,179)
	10,921,431	11,539,257	11,539,257	SoldCAD/BoughtUSD	617,826
	2,156,083	2,358,638	2,358,638	SoldEUR/BoughtUSD	202,555
	2,434,551	2,453,031	2,453,031	SoldEUR/BoughtUSD	18,480
	134,644	133,383	133,383	SoldGBP/BoughtUSD	(1,261)
	100,633	100,625	100,625	SoldHKD/BoughtUSD	(8)
	36,525	36,453	36,453	SoldJPY/BoughtUSD	(72)
	76,892	76,136	76,136	SoldJPY/BoughtUSD	(756)
	862,266	871,543	871,543	SoldPLN/BoughtUSD	9,277
	2,999,013	3,001,801	3,001,801	SoldSEK/BoughtUSD	2,788
			Sub-Total…….		**1,698,093**
				Total……..	**$ 2,517,225**

Options represent or give buyers the right, but not the obligation, to buy or sell an asset at a preset price over a specified period. The option's price is usually a small percentage of the underlying asset's value. As a writer of financial options, the VPIC receives a premium at the outset of the agreement and bears the risk of an unfavorable change in the price of the financial instrument underlying the option. As a purchaser of financial options, the VPIC pays a premium at the outset of the agreement and the counterparty bears the risk of an unfavorable change in the price of the financial instrument underlying the option. At June 30, 2010, the VPIC's investments had the following changes in fair value from June 30, 2009 to June 30, 2010, and market value as of June 30, 2010.

Investment Derivatives	Changes in Fair Value		Fair Value at June 30, 2010		
	Classification	Amount	Classification	Amount	Notional
Fixed income options bought	Investment revenue	$ (8,916)	Options	$ -	$ -
Fixed income options written	Investment revenue	2,295,270	Options	(540,910)	(77,900,000)
Foreign currency options bought	Investment revenue	(131,943)	Options	-	-
Foreign currency options written	Investment revenue	25,399	Options	-	-
Futures options written	Investment revenue	248,798	Options	-	(1,282,000)
Index options written	Investment revenue	3,040	Options	-	-

Swaps represent an agreement between two or more parties to exchange sequences of cash flows over a period in the future. At June 30, 2010, the VPIC had three different types of swap arrangements; interest rate swaps, credit default swaps and total return swaps. In the most common type of interest rate swap arrangement, one party agrees to pay fixed interest payments on designated dates to a counterparty who, in turn, agrees to make return interest payments that float with some reference rate. The interest rate swaps allowed the VPIC to effectively convert long term variable interest investments into fixed interest rate investments. Credit default swaps are used to manage credit exposure without buying securities outright. In total return swaps, the underlying asset, referred to as the reference asset, is usually an equity index, loans, or bonds. Gains and losses on swaps are determined based on market values and are recorded in the Statement of Changes in Fiduciary Net Assets. At June 30, 2010, the VPIC's investments had the following swap market value balances.

Investment Derivatives	Changes in Fair Value		Fair Value at June 30, 2010		
	Classification	Amount	Classification	Amount	Notional
Credit default swaps bought	Investment revenue	$ (2,007,127)	Swaps	$ -	$ -
Credit default swaps written	Investment revenue	(570,212)	Swaps	-	-
Total return swaps bond	Investment revenue	(66,121)	Swaps	-	-
Receive fixed interest rate swaps	Investment revenue	893,785	Swaps	101,042	20,600,000
Pay fixed interest rate swaps	Investment revenue	(1,859,721)	Swaps	-	-

The following interest rate swaps are in place as of June 30, 2010.

Asset ID	Asset Description	Fair Value at June 30, 2010	Notional
Receive Fixed Interest Rate Swaps:			
SWU058971	SWU058971 IRS BRL R F 11.57000 / SWU058971 IRS BRL P V 00MCETIP	$ 101,042	$ 20,600,000

Counter-party creditworthiness, for non-exchange traded derivatives, shall be at a minimum of "A3" as defined by Moody's Investor Service, "A-" by Standard & Poor's and "A-" by Fitch. The use of counter-parties holding a

split rating with one of the ratings below A3/A- is prohibited. The use of unrated counter-parties is prohibited. Individual counter-party exposure, for non-exchange traded commodity derivatives, is limited to 50% of the notional amount of the VPIC Portfolio commodity derivative exposure. An exception is allowed if the total commodity derivative exposure is less than $3 million. Any entity acting as counterparty must be regulated in either the United States or the United Kingdom.

The following shows the market value of credit exposure per Moody's ratings at June 30, 2010.

Moody's Rating	Market Value
Aa3	$ 1,900,825
Aa1	202,554
A2	2,788
A1	1,547,376
Total	**$ 3,653,543**

In addition, Manager credit research teams are tasked with evaluating potential counterparties for their creditworthiness as counterparties, not relying on ratings agencies alone. Managers evaluate individual counterparties using various methods of credit analysis: company visits, reports, earnings updates and take into account other factors, including the broker's/dealer's reputation for sound management, the past experience of the manager with the broker/dealer, market levels for its debt and equity, its quality of liquidity provided and its share of market participation. At June 30, 2010, risk concentrations are as follows.

Counterparty Name	Percentage of Net Exposure	S&P Rating	Fitch Rating	Moody's Rating
STATE STREET BANK LONDON	46%	A+	A+	A1
BARCLAYS BANK PLC WHOLESALE	30%	AA-	AA-	Aa3
HSBC BANKUSA	13%	AA	AA	Aa3
UBS AG	8%	A+	A+	Aa3
ROYAL BANK OF SCOTLAND	3%	A+	AA-	Aa3
GOLDMAN SACHS + CO	1%	A	A+	A1
MORGAN STANLEY CAPITAL SERVICES INC	0%	A	A	A2
CITIBANK N.A.	0%	A+	A+	A1
CREDIT SUISSE LONDON BRANCH (GFX)	0%	A+	AA-	Aa1
GOLDMAN SACHS INTERNATIONAL	0%	A	A+	A1

Note: Exposures are net after application of collateral.

VPIC's Managers use master agreements and may receive additional protection through the collateralization requirements, which helps to mitigate a party's exposure to another party in the event of a default or termination event by requiring the pledging/posting of assets to the other party to secure any outstanding obligations under certain transactions. By regular, generally daily, movement of collateral on forward settling trades, VPIC's exposure to any particular counterparty can be reduced. Collateral movement threshold for securities under the master forward agreements typically ranges from $0 to $250 thousand per account, depending on the particular counterparty. Managers require daily posting of collateral with many of our counterparties.

VPIC does not have a formal policy regarding master netting arrangements. As a general practice, Manager use of industry standardized contracts, generally known as "master agreements" or "netting agreements," counterparty risk is reduced by providing parties to a transaction the ability to close out and net its total exposure to a counterparty in event of a default with respect to all transactions governed under that particular agreement. These agreements (ISDA Master Agreement and Credit Support Annex, Master OTC Options Agreement, Master Securities Forward Transaction Agreement, Global/Master Repurchase Agreement) allow parties to a

transaction to know their legal rights and obligations, in addition to an ability to net. Managers generally put master agreements in place on behalf of each account it manages and each separate counterparty legal entity with which it transacts.

Maximum Loss Before and After Netting and Collateral	
Maximum amount of loss VPIC would face in case of default of all counterparties	
i.e. aggregated (positive) fair value of OTC positions as of June 30, 2010……	$ 3,653,543
Effect of collateral reducing maximum exposure……	(692,631)
Liabilities subject to netting arrangements reducing exposure……	-
Resulting net exposure…….	**$ 2,960,912**

Derivative instruments often contain credit-risk-related contingent features that could result in an immediate payment to the counterparty. For example, a material adverse change clause could provide the counterparty with the right to early terminate the derivative agreement. Alternatively, it could provide a basis for renegotiating the agreement if specific events occur, such as a downgrade of the entity's credit rating below investment grade. These provisions may include an obligation to post additional collateral in instances where the credit-risk contingent feature is triggered or the counterparty is provided the right to terminate the agreement early.

The VPIC funds hold mortgage-backed securities including collateralized mortgage obligations (CMOs) at fair value. Mortgage-backed securities represent a direct interest in a pool of mortgage loans. CMOs are bonds that are collateralized by whole loan mortgages, mortgages pass-through securities, or stripped mortgage-backed securities. Income is derived from payments and pre-payments of principal and interest generated from collateral mortgages. Cash flows are distributed to different investment tranches in accordance with the payment order established for the CMO instrument. Cash flows associated with these tranches may demonstrate varying degrees of sensitivity to interest rate fluctuations. A reduction in interest rates may cause some of the tranches to experience a reduction in fair value as prepayments reduce the interest payments, causing a decline in total cash flows. In a rising interest rate environment, an increase in interest payment and cash flows may cause an increase in fair value.

Risk is minimized through the purchase of high quality instruments with limited default or prepayment risk. Agency fixed and floating rate pass-through, U.S. Treasury securities and cash equivalents can be held without limitation. Securities designed to provide more precisely targeted maturities (Sequential Collateralized Mortgage Obligations) and those that create tranches, or Planned Amortization Classes (PAC I and PAC II), with cash flows that are protected from prepayment changes within certain limits, may also be purchased without limitation. Policy restrictions and portfolio percentage limitations are established for the purchase of more interest rate sensitive instruments and certain interest rate and price stress tests are required.

Asset-backed securities are collateralized by a loan, lease, or receivable other than real estate. Payments are collected by a servicer though a “pass-through” arrangement. As monthly payments of principal and interest are made, the pass-through security holder is entitled to a pro rata portion of the payments received. Risk of pre-payment varies with the underlying assets. Risk is minimized through the purchase of high quality instruments with limited default or prepayment risk.

Note 3: INTERFUND BALANCES

A. Due From/To Other Funds

Due from/to other funds represents amounts owed to one State fund by another, for goods sold, services received or reimbursement of costs. The balances of due from/to other funds at June 30, 2010, are as follows.

	Due To Other Funds			
	Governmental Funds			
Due From Other Funds	General Fund	Transportation Fund	Education Fund	Special Fund
General Fund	$ -	$ 7,161	$ -	$ 30,706
Transportation Fund	10,874	-	-	-
Education Fund	-	-	-	-
Special Fund	233,897	2,744	-	-
Federal Revenue Fund	237,796	-	-	520,705
Global Commitment Fund	20	-	-	18
Non-major Governmental Funds	-	-	-	6,710
Liquor Control Fund	-	-	-	-
Vermont Lottery Commission	-	-	15,724	-
Non-major Enterprise Funds	-	-	-	-
Internal Service Funds	-	-	-	-
Fiduciary Funds	819,760	-	-	-
Total	**$ 1,302,347**	**$ 9,905**	**$ 15,724**	**$ 558,139**

continues below

	Due To Other Funds			
	Governmental Funds			
Due From Other Funds	Federal Revenue Fund	Global Commitment Fund	Non-major Governmental Funds	Internal Service Funds
General Fund	$ 23,561	$ 23,614	$ 5,000	$ 29,231
Transportation Fund	125	-	-	-
Special Fund	776,567	20	87,946	68,092
Federal Revenue Fund	-	-	-	-
Global Commitment Fund	1,517	-	-	-
Non-major Governmental Funds	-	-	-	-
Liquor Control Fund	-	-	-	-
Vermont Lottery Commission	-	-	-	-
Non-major Enterprise Funds	-	-	-	-
Internal Service	-	-	-	-
Fiduciary Funds	-	-	-	-
Total	**$ 801,770**	**$ 23,634**	**$ 92,946**	**$ 97,323**

continues below

	Enterprise Funds			
Due From Other Funds	Unemployment Compensation Trust Fund	Liquor Control Fund	Non-major Enterprise Funds	Total
General Fund	$ -	$ 627,763	$ 757	**$ 747,793**
Transportation Fund	-	-	-	**10,999**
Special Fund	-	-	-	**1,169,266**
Federal Revenue Fund	-	-	-	**758,501**
Global Commitment Fund	-	-	-	**1,555**
Non-major Governmental Funds	-	-	-	**6,710**
Vermont Lottery Commission	-	-	-	**15,724**
Non-major Enterprise Funds	35,669	-	-	**35,669**
Fiduciary Funds	-	-	-	**819,760**
Total	**$ 35,669**	**$ 627,763**	**$ 757**	**$ 3,565,977**

B. Advances To/From Other Funds

The General Fund has made cash advances to certain proprietary funds for imprest petty cash disbursement needs. The General Fund advances to other funds at June 30, 2010, are summarized below.

Proprietary Funds	
Vermont Lottery Fund	$ 300,000
Liquor Control Fund	6,500
Non-major Proprietary Funds	2,900
Total	**$ 309,400**

C. Interfund Receivables/Payables

The primary government cash in most funds is pooled in the State Treasurer's accounts. When a fund has a deficit cash balance, this amount is reclassified to a liability account - interfund payable. The General Fund reports the corresponding interfund receivable for the cash borrowed from the pool. The following funds at June 30, 2010, reported interfund payables. It is expected that certain amounts due the General Fund from the Internal Service Funds will not be repaid within one year. It is expected that these interfund payables will be reduced in future years through changes to billing rates and management of operations.

Proprietary Funds	
Non-major Enterprise Funds	$ 1,726,619
Internal Service Funds	36,029,197
Fiduciary Funds	
Pension Trust Funds	318,765
Agency Funds	239,503
Total	**$ 38,314,084**

D. Inter - Primary Government/Component Unit Balances

Advances to component units consist of the amounts advanced under various agreements with component units to use the funds for specific programs. As the component unit uses the funds, the advance is reduced and expenditures are recognized by the State. At June 30, 2009, the General Fund advances to component units was $1,450,206 advanced to the Vermont Development Authority for interest rate subsidies and grants to be issued at the direction of State agencies.

Due from component units/Due to primary government consist of the amounts owed to the primary government for programs administered by component units, in accordance with memoranda of understanding with State departments, and for the elimination of negative balances in the State Treasurer's pooled cash. Due from primary government/Due to component units consist of amounts appropriated from the primary government's funds to the component units that had not been disbursed by fiscal year end.

At June 30, 2010, these account balances are as follows.

	Due to Primary Government/(Component Units)		
	Vermont Housing & Conservation Board	Vermont Economic Development Authority	Total
Due from Component Units			
General Fund	$ 2,676,241	$ -	**$ 2,676,241**
Special Fund	-	35,827	**35,827**
Due from Primary Government			
General Fund	(752,031)	-	**(752,031)**
Nonmajor Governmental Funds	(5,741,905)	-	**(5,741,905)**
Total	**$ (3,817,695)**	**$ 35,827**	**$ (3,781,868)**

E. Interfund Transfers

Transfers between funds occur when one fund collects revenues and transfers the assets to another for expenditure or when one fund provides working capital to another fund. All transfers are legally authorized by the Legislature through either statute or Appropriation Acts.

The Education Fund received transfers from the General Fund and the Vermont Lottery Commission to support the general State grant for local education. The Special Fund received transfers from the General Fund for the Next Generation Initiative, from the Federal Revenue Fund for the weatherization assistance program, and from the Global Commitment Fund for education Medicaid reimbursements. The Global Commitment Fund received transfers from the General, Special and Federal Revenue Funds for Medicaid related services provided under the Vermont Global Commitment to Health Medicaid waiver.

Interfund transfers for the fiscal year ending June 30, 2010, are on the following page.

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	Transfers Out: Governmental Funds				
Transfers In	**General Fund**	**Transportation Fund**	**Education Fund**	**Special Fund**	**Federal Revenue Fund**
General Fund	$ -	$ 1,713,505	$ -	$ 20,086,288	$ 2,600,000
Education Fund	247,693,943	-	-	-	-
Special Fund	4,752,022	1,716,935		-	20,796,060
Federal Revenue Fund	-	-	-	-	-
Global Commitment Fund	63,911,754	-	-	200,319,778	709,049,559
Non-major Governmental Funds	-	456,345		2,092,792	-
Unemployment Comp Trust Fund	-	-	-	-	-
Non-major Enterprise Funds	-	-	-	-	-
Internal Service Funds	767,996	1,120,000	-	-	-
Total	**$ 317,125,715**	**$ 5,006,785**	**$ -**	**$ 222,498,858**	**$ 732,445,619**

continues below

	Transfers Out: Governmental Funds		Proprietary Funds		
Transfers In	**Global Commitment Fund**	**Non-major Governmental Funds**	**Unemployment Compensation Trust Fund**	**Liquor Control Fund**	**Vermont Lottery Commission**
General Fund	$ -	$ 11	$ -	$ 1,316,334	$ -
Education Fund	-	-	-	-	21,580,606
Special Fund	24,965,623	50,000	-	-	-
Federal Revenue Fund	-	2,240,538	457,610	-	-
Global Commitment Fund	-	-	-	-	-
Non-major Governmental Funds	-	-	-	-	-
Unemployment Comp Trust Fund	-	-	-	-	-
Non-major Enterprise Funds	-	-	346,325	-	-
Internal Service Funds	-	-	-	-	-
Total	**$ 24,965,623**	**$ 2,290,549**	**$ 803,935**	**$ 1,316,334**	**$ 21,580,606**

continues below

	Transfers Out			
Transfers In	**Non-major Enterprise Funds**	**Internal Service Funds**	**Fiduciary Funds**	**Total**
General Fund	$ -	$ 896,351	$ 3,002,435	**$ 29,614,924**
Education Fund	-	-	-	**269,274,549**
Special Fund	-	2,499,715	-	**54,780,355**
Federal Revenue Fund	-	-	-	**2,698,148**
Global Commitment Fund	-	-	-	**973,281,091**
Non-major Governmental Funds	-	-	47,471	**2,596,608**
Unemployment Comp Trust Fund	325,973	-	-	**325,973**
Non-major Enterprise Funds	-	-	-	**346,325**
Internal Service Funds	-	-	-	**1,887,996**
Total	**$ 325,973**	**$ 3,396,066**	**$ 3,049,906**	**$ 1,334,805,969**

Note 4: CAPITAL ASSETS

Capital Assets activities for the fiscal year ended June 30, 2010 were as follows:

Primary Government

Governmental Activities	Beginning Balance	Additions	Deletions	Reclassifications & Donations	Ending Balance
Capital assets, not being depreciated:					
Land, land use rights, and land improvements	$ 77,467,974	$ 4,176,165	$ -	$ 26,480,535	$ 108,124,674
Construction in process	344,421,089	220,628,756	(151,384,726)	(17,572,873)	396,092,246
Works of Art	136,003	-	-	-	136,003
Total capital assets, not being depreciated	422,025,066	224,804,921	(151,384,726)	8,907,662	504,352,923
Capital assets, being depreciated:					
Buildings and improvements	387,156,232	13,658,470	(453,355)	-	400,361,347
Machinery and equipment	147,622,401	15,233,532	(9,106,840)	(63,275)	153,685,818
Infrastructure	1,425,008,595	134,597,831	(23,825,045)	(60,929)	1,535,720,452
Total capital assets, being depreciated	1,959,787,228	163,489,833	(33,385,240)	(124,204)	2,089,767,617
Less accumulated depreciation for:					
Buildings and improvements	(166,405,501)	(12,193,213)	527,498	-	(178,071,216)
Machinery and equipment	(97,388,005)	(14,939,525)	8,276,988	126,233	(103,924,309)
Infrastructure	(623,544,026)	(57,301,333)	23,670,190	10,783	(657,164,386)
Total accumulated depreciation	(887,337,532)	(84,434,071)	32,474,676	137,016	(939,159,911)
Total capital assets, being depreciated, net	1,072,449,696	79,055,762	(910,564)	12,812	1,150,607,706
Governmental activities capital assets, net	$ 1,494,474,762	$ 303,860,683	$ (152,295,290)	$ 8,920,474	$ 1,654,960,629

Business-type Activities	Beginning Balance	Additions	Deletions	Reclassifications & Donations	Ending Balance
Capital assets, not being depreciated:					
Construction in process	$ 304,084	$ -	$ (304,084)	$ -	$ -
Total capital assets, not being depreciated	304,084	-	(304,084)	-	-
Capital assets, being depreciated:					
Buildings and improvements	96,435	-	(36,500)	-	59,935
Machinery and equipment	1,499,519	622,882	(104,338)	-	2,018,063
Total capital assets, being depreciated	1,595,954	622,882	(140,838)	-	2,077,998
Less accumulated depreciation for:					
Buildings and improvements	(61,124)	(6,294)	36,500	-	(30,918)
Machinery and equipment	(901,673)	(305,059)	103,848	-	(1,102,884)
Total accumulated depreciation	(962,797)	(311,353)	140,348	-	(1,133,802)
Total capital assets, being depreciated, net	633,157	311,529	(490)	-	944,196
Business-type activities capital assets, net	$ 937,241	$ 311,529	$ (304,574)	$ -	$ 944,196

Fiduciary Funds	Beginning Balance	Additions	Deletions	Reclassifications & Donations	Ending Balance
Capital assets, not being depreciated:					
Construction in process	$ 2,833,746	$ 1,856,361	$ (1,861,354)	$ -	$ 2,828,753
Total capital assets, not being depreciated	2,833,746	1,856,361	(1,861,354)	-	2,828,753
Capital assets, being depreciated:					
Machinery and equipment	208,814	1,840,280	(8,358)	27,897	2,068,633
Total capital assets, being depreciated	208,814	1,840,280	(8,358)	27,897	2,068,633
Less accumulated depreciation for:					
Machinery and equipment	(120,718)	(207,994)	-	-	(328,712)
Total accumulated depreciation	(120,718)	(207,994)	-	-	(328,712)
Total capital assets, being depreciated, net	88,096	1,632,286	(8,358)	27,897	1,739,921
Fiduciary assets, Net	$ 2,921,842	$ 3,488,647	$ (1,869,712)	$ 27,897	$ 4,568,674

Current period depreciation expense was charged to functions of the Primary Government as follows:

Governmental Activities:		Business-type Activities:	
General Government	$ 10,557,283	Liquor Control	$ 295,666
Protection to Persons and Property	4,670,552	Lottery Commission	15,687
Human Services	996,794	Total	$ 311,353
Labor	84,705		
General Education	25,939		
Natural Resources	1,430,285	Fiduciary Activities:	
Commerce & Community Development	252,451		
Transportation	58,123,106	Pension	$ 207,798
Depreciation on capital assets held by Internal Service Funds	8,292,956		
Total	$ 84,434,071		

Note 5: RETIREMENT PLANS AND OTHER POST EMPLOYMENT BENEFITS

In accordance with State statutes, the State Treasurer and the individual retirement systems' Board of Trustees administer the State's three defined benefit pension plans and two defined contribution plans. These systems are considered part of the State's reporting entity and are included in the accompanying financial statements as pension trust funds in the fiduciary fund type. There are no separate stand-alone financial statements issued for these plans.

Summary of significant accounting policies – basis of accounting and valuation of investments

The financial statements for the pension and other postemployment benefit trust funds are prepared using the accrual basis of accounting. Plan members' contributions are recognized in the period in which the contributions are due. The employers' contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plans. All investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price on June 30, 2010. Securities without an establish market are reported at estimated fair value.

A. Defined Benefit Retirement Plans

Retirement Plan Descriptions

The Vermont State Retirement System (VSRS) (3 V.S.A. Chapter 16) is a single-employer public employee defined benefit retirement system which covers substantially all general State employees and State Police,

except employees hired in a temporary capacity. Membership in the system is a condition of employment. The membership consists of:

- general employees who did not join the non-contributory system on July 1, 1981 (Group A), with a contribution rate of 5.1% of payroll (contributions cease upon attainment of 25 years of creditable service);
- State police, law enforcement positions, and airport firefighters (Group C), with a contribution rate of 6.98% of payroll;
- judges (Group D), with a contribution rate of 5.1% of payroll;
- terminated vested members of the non-contributory system (Group E); and
- all other general employees (Group F), with a contribution rate of 5.1% of payroll.

Effective July 1, 2008, the contribution rate for Group F employees was raised, through legislation enacted in fiscal year 2008, from 3.35% to 5.1% though June 30, 2019, and 4.85% thereafter, due to increases in the cost of living benefit for all Group F employees and other benefit changes described below.

The State Teachers' Retirement System (STRS) (16 V.S.A. Chapter 55) is a cost-sharing public employee defined benefit retirement system with a special funding situation. It covers nearly all public day school and nonsectarian private high school teachers and administrators as well as teachers in schools and teacher training institutions within and supported by the State that are controlled by the State board of education. Membership in the system for those covered classes is a condition of employment. The membership is made up of:

- general teachers who did not join the non-contributory system on July 1, 1981 (Group A), with a contribution rate of 5.5% of payroll (contributions cease upon attainment of 25 years of creditable service);
- terminated vested members of the non-contributory system (Group B); and
- all other general teachers (Group C), with a contribution rate of 3.54% of covered payroll through June 30, 2010. This was increased to 5.0% effective July 1, 2010.

The State appropriates funding for pension costs associated with the above two plans. In fiscal years prior to 1982, both systems were solely contributory. Under legislation effective July 1, 1981, Vermont State employees and State teachers could have elected to transfer their memberships from a contributory to a non-contributory membership class. However, in 1990, the Legislature again made both systems contributory effective July 1, 1990, for the STRS and January 1, 1991, for the VSRS. The State's contribution to each system is based on percentage rates of each member's annual earnable compensation. These rates include a "normal contribution" rate and an "accrued liability contribution" rate and are calculated based upon the liabilities of each system as determined by actuarial valuations.

The Vermont Municipal Employees' Retirement System (MERS) (24 V.S.A., Chapter 125) is a cost-sharing, multiple-employer public employees' retirement system that is administered by the State Treasurer and its Board of Trustees. It is designed for school districts and other municipal employees that work on a regular basis and also includes employees of museums and libraries if at least half of that institution's operating expenses are met by municipal funds. An employee of any employer that becomes affiliated with the system may join at that time or at any time thereafter. Any employee hired subsequent to the effective participation date of their employer who meets the minimum hourly requirement is required to join the system.

Prior to July 1, 1987, the State was statutorily responsible for contributions to the MERS' pension accumulation fund. Effective July 1, 1987, and thereafter, all payments to the system's pension accumulation fund are supported entirely by employer (municipal) and employee contributions. Employers make quarterly payments into the pension accumulation fund. These payments are percentages of annual earnable compensation for each membership group and consist of a "normal" and an "accrued liability" portion. The percentage rates of such contributions are fixed on the basis of the liabilities of the system pursuant to actuarial valuations. Copies of each individual defined benefit retirement plan's annual actuarial valuation report, information describing each defined benefit plan's provisions including vesting requirements, benefits provided, post retirement adjustments,

etc., and information relating to the two defined contribution plans are available for inspection at the Retirement Division, Office of the State Treasurer, 109 State Street, Montpelier, Vermont 05609-6901.

The defined benefit plans' financial statement are as follows.

Statement of Plan Net Assets
Defined Benefit Plans
June 30, 2010

	Vermont State Retirement Fund	State Teachers' Retirement Fund	Vermont Municipal Employees' Retirement Fund
Assets:			
Cash and short term investments	$ 748,315	$ 4,748,826	$ 1,409,714
Receivables:			
Contributions - current	5,618,790	3,433,405	2,617,178
Contributions non-current	-	-	6,713,298
Interest and dividends	76,406	83,010	420,581
Due from other funds	1,563,333	-	41,962
Other	-	503,862	-
Investments at Fair value:			
Pooled investments	1,161,739,403	1,294,423,059	320,562,218
Equities	-	6	-
Real estate and venture capital	561,476	449,534	25,642
Invested securities lending collateral	177,002,253	192,965,724	47,941,289
Prepaid expenses	-	1,442,181	8,885
Capital assets, net of depreciation	1,794,206	2,119,229	654,822
Total assets	**1,349,104,182**	**1,500,168,836**	**380,395,589**
Liabilities:			
Accounts payable	1,920,577	1,549,268	393,814
Retainage payable	218,507	266,725	108,282
Interunit payable	117,943	137,069	63,753
Securities lending obligations	177,002,253	192,965,724	47,941,289
Total liabilities	**179,259,280**	**194,918,786**	**48,507,138**
Net assets held in trust for employees' pension benefits	**$ 1,169,844,902**	**$ 1,305,250,050**	**$ 331,888,451**

Statement of Changes in Plan Net Assets
Defined Benefit Plans
For the fiscal year ended June 30, 2010

	Vermont State Retirement Fund	State Teachers' Retirement Fund	Vermont Municipal Employees' Retirement Fund
Additions :			
Contributions			
Employer - pension benefit	$ 31,468,885	$ 22,945,321	$ 10,592,919
Employer - healthcare benefit	-	17,600,000	-
Plan member	22,840,354	25,315,397	10,711,600
Transfers from other pension trust funds	227,524	425,480	203,548
Transfers from non-state systems	-	16,779	-
Medicare part D drug subsidy	-	1,375,282	-
Total contributions	**54,536,763**	**67,678,259**	**21,508,067**
Investment Income:			
Net appreciation (depreciation) in fair value of investments	503,931	(453,345)	(165,514)
Income from pooled investments	185,919,402	213,601,861	48,316,439
Interest income	14,144	32,922	577,622
Securities lending income	1,108,457	1,229,615	282,135
Other income	384,485	395,367	24,034
Total investment income	**187,930,419**	**214,806,420**	**49,034,716**
Less Investment Expenses:			
Investment managers and consultants	5,059,288	5,774,594	1,365,902
Securities lending expenses	277,870	308,216	70,718
Total investment expenses	**5,337,158**	**6,082,810**	**1,436,620**
Net investment income	**182,593,261**	**208,723,610**	**47,598,096**
Total additions	**237,130,024**	**276,401,869**	**69,106,163**
Deductions:			
Retirement benefits	79,001,908	96,448,101	11,073,099
Other post employment benefits	-	17,203,669	-
Refunds of contributions	1,521,440	1,183,659	1,127,574
Death claims	275,977	154,724	298,030
Transfers to other pension trust funds	292,301	149,017	497,492
Depreciation	77,038	91,959	38,801
Operating expenses	814,440	986,804	355,145
Total deductions	**81,983,104**	**116,217,933**	**13,390,141**
Change in net assets	**155,146,920**	**160,183,936**	**55,716,022**
Net assets held in trust for employees' pension benefits:			
July 1	**1,014,697,982**	**1,145,066,114**	**276,172,429**
June 30	**$ 1,169,844,902**	**$ 1,305,250,050**	**$ 331,888,451**

Plan membership

At June 30, 2010, VSRS, STRS, and MERS membership consisted of:

	VSRS	STRS	MERS
Active employees:			
Vested	5,628	7,994	3,777
Non-vested	2,154	2,515	2,828
Total active employees	7,782	10,509	6,605
Retirees and beneficiaries of deceased retirees currently receiving benefits	5,201	6,146	1,644
Terminated employees entitled to benefits but not yet receiving them (vested)	765	718	585
Inactive members	857	2,853	1,842
Total participants	14,605	20,226	10,676

Actuarial Valuation- Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The actuarial method for both the STRS and the VSRS plans is set by State statute. Through fiscal year 2005, the method used was entry age normal (EAN) with frozen initial liability (FIL). The Legislature enacted a statute change revising the method to entry age normal without FIL for the actuarial valuation for the year ending June 30, 2006, which effectively restated the starting balance.

Under the previous method, set by State statute, the unfunded liability was frozen at 1988 levels. Any impact of underfunding subsequent to the “freezing” of the liability in 1988 falls to normal cost instead of being added to the unfunded liability as in more conventional funding methods. If funding levels approximate the actuarially required contribution (ARC), as in the case of the funding of VSRS, the effect of changing from EAN-FIL to EAN is attributable to variances between the actuarial assumptions and experience.

State statute provides that at least once in each five-year period, the State’s actuary is to make an investigation into the mortality, service, and comprehensive experience of the members and beneficiaries of the system and make recommendations for certain modifications of the actuarial assumptions, as needed. These experience studies are conducted on a staggered basis for the three systems.

Such a study was completed for the VSRS system for the period covering July 1, 2001 through June 30, 2006. Those changes were incorporated in valuations beginning with the June 30, 2007 valuation report. No changes to the actuarial assumptions used in the June 30, 2009 valuation occurred for the valuation completed for the period ending June 30, 2010 but projection of salaries has been adjusted to reflect the near term salary decreases and freezes. Under agreements reached since the last valuation, salary decreases and freezes will apply to several employee groups that participate in VSRS over the next two years. Salaries of all classified employees who are not public safety or judiciary employees will be decreased by 3% effective July 1, 2010, and not restored to their prior levels for two years. Salaries of all public safety employees will be decreased by 3% effective July 1, 2010, and not restored to their prior levels for two years (except for State Police, for whom the reduction will last one year). Salaries of all Judiciary employees will be decreased by 4.6% effective July 1, 2010, and not restored to their prior levels for two years.

The 30-year period for amortization of the unfunded actuarial accrued liability was restarted effective July 1, 2008. Benefit modifications were made in both 2008 and 2009. Under legislation enacted in fiscal year 2008,

VSRS benefits were modified in three respects for members hired on or after July 1, 2008. First, the maximum benefit payable was increased from 50% to 60% of the average final compensation (AFC). Second, the eligibility condition for an unreduced benefit changed from the attainment of age 62 or 30 years of service, whichever came first, to a "Rule of 87." This "Rule of 87" refers to the sum of the employee's age and years of service. Third, for members not eligible for an unreduced benefit, the reduction for early retirement changed from a uniform 6% per year to one determined on a service based schedule. Due to the relatively small number of participants affected by the hire date incorporated in these changes, the actuary reports a minimal impact on the normal cost and accrued liability. The remaining significant provision of the same legislation makes changes to retiree cost of living (COLA) adjustments. The annual cost of living adjustment (COLA) applicable to the benefits of group F members retiring after July 1, 2008, rose from 50% of the annual increase of the Consumer Price Index (CPI) to 100% of the annual increase in the CPI index, up to a ceiling of 5%, effective January 1, 2014. Only current group F members who were actively contributing into the system on June 30, 2008 and retire on or after July 1, 2008 will be eligible for the enhanced COLA in 2014. Group F members who terminated service or transferred to another group plan prior to June 30, 2008 are not be eligible for the new COLA, unless they return to active group F service after July 1, 2008 prior to retirement. The COLA provisions were reflected in the 2008 valuation as well as the valuation for the period ending June 30, 2010.

In fiscal year 2010, the State offered a retirement incentive program. It did not incorporate any enhancements to the retirement benefits or years of service but did offer a cash pay-out, to be paid over two years, using non-pension funds, to encourage those already eligible for normal retirement to retire. Incentives were calculated based on years of creditable service and capped at $15,000. This program resulted in 242 retirements. The retirement incentive legislation also stipulates that the State may only fill a maximum of two-thirds of the vacated positions, mandating that at least one-third remain vacant.

In the case of VSRS, the actuarial accrued liability for current retired members, terminated vested members and beneficiaries is $863,268,086, and the actuarial accrued liability for current active and inactive members is $696,056,203, for a total actuarial accrued liability of $1,559,324,289. The actuarial value of assets is $1,265,404,195, resulting in an unfunded accrued liability of $293,920,094.

The total net actuarial loss for the VSRS system from June 30, 2009 to June 30, 2010 is $20,876,107. Investment experience from the smoothing of assets accounted for $18,552,665 of this actuarial loss. Other significant factors impacting the actuarial loss were COLA experience with a gain of $19,948,790, offset by retirement experience with a loss of $19,969,509.

In December 2007 an experience study was conducted for the STRS system for the period covering July 1, 2002 through June 30, 2007. As a result of this experience study performed by Buck Consultants and recent changes adopted by the System's Board of Trustees, changes in the actuarial assumptions were made in beginning the valuation report for the period ending June 30, 2008. No assumption changes were made in the valuation report for the period ending June 30, 2010. The assumptions are the same as those used in the prior valuation of STRS except for changes in the retirement decrement needed to reflect changes in the retirement eligibility conditions under the STRS, which are described below. The 30-year period for amortization of the unfunded actuarial accrued liability was restarted effective July 1, 2008.

Effective July 1, 2010, a number of changes were made to the STRS based on changes enacted by the Legislature. For Group C members who are within five years of normal retirement as of July 1, 2010, the maximum allowable benefit will increase from 50% of Average Final Compensation (AFC) to 53.34%, provided that service needed to earn a benefit in excess of 50% of AFC is rendered after July 1, 2010. For Group C members who are not within five years of normal retirement as of July 1, 2010, eligibility for normal retirement is changed from age 62 or completion of 30 years of service, to attainment of age 65 or satisfaction of the "rule of 90." Reductions for early retirement are changed from 6% per year by which commencement of benefits precedes age 62 to factors based on the STRS's definition of actuarial equivalence. Maximum benefits for members of this group are increased from 50% to 60% of the AFC, and the benefit multiplier is increased from 1.67% per year to 2% per year of service in excess of 20.

In the case of STRS, the actuarial accrued liability for current retired members, terminated vested members and

beneficiaries is $1,011,709,949, and the actuarial accrued liability for current active and inactive members is $1,110,481,546, for a total actuarial accrued liability of $2,122,191,495. The actuarial value of assets is $1,410,368,434, resulting in an unfunded accrued liability of $711,823,061.

The total net actuarial gain for the STRS system from June 30, 2009 to June 30, 2010 is $1,612,796. Investment experience, including smoothing, accounted for a loss of $26,279,596. Other significant factors increasing the actuarial loss were expenses other than investment expenses of $19,287,498. These were offset by gains in mortality among retirees, beneficiaries, and terminated vested participants of $12,346,155, gains in COLA experience of $22,127,398, and retirement experience gains of $13,027,972.

Below are listed the various actuarial methods and significant assumptions used to determine the annual required contributions at the State level for VSRS and STRS, and by the participating employers for MERS which is not funded by the State.

	VSRS	STRS	MERS
Valuation date	06/30/10	06/30/10	07/01/10
Actuarial cost method (1)	Entry Age Normal	Entry Age Normal	Projected benefit cost method
Amortization method	Level percentage of payroll	Level percentage of payroll	Installments increasing 5% per year
Remaining amortization period (2)	28 years	28 years	28 years
All closed basis			
Asset valuation method (3)	Preliminary Asset Value plus 20% difference between market and preliminary asset value	Preliminary Asset Value plus 20% difference between market and preliminary asset value	Actuarial value of assets using a five year smoothing technique
Actuarial assumptions			
Investment rate of return (4)	8.25%	8.25%	8.00%
Projected salary increases (5)	4.50%-7.79%	4.41%-10.68%	5.0%
Cost-of-living adjustments	1.5%-3.0%	1.5%-3.0%	Group A - 1.5% Groups B, C & D - 1.8%
Post Retirement Adjustments			
Allowances in payment for at least one year adjusted for cost of living based on CPI but not in excess of percentage indicated	Groups A, C & D - 5%	Group A - 5%	N/A
Allowances in payment for at least one year increased on January 1 by one-half of the percentage increase in CPI but not in excess of percentage indicated	Group F - 5% (6)	Group C - 5%	Group A - 2% Groups B, C & D - 3%
Assumed annual rate of cost-of-living increases	For those eligible for increases of 100% of CPI change: 3.0%	For those eligible for increases of 100% of CPI change: 3.0%	
	For those eligible for increases of 50% of CPI change: 1.5%	For those eligible for increases of 50% of CPI change: 1.5%	

(1) Beginning with 6/30/06, the actuarial cost method was changed to the Entry Age Normal method for VSRS and STRS.
(2) The 30-year period for amortization of the unfunded actuarial accrued liability was restarted effective 7/1/08 for STRS, and VSRS.
(3) The preliminary asset value is equal to the previous year's asset value (for valuation purposes) adjusted for contributions less benefit payments and expenses and expected income.
(4) Beginning with 6/30/06, the funding interest rate has been raised from 8.00% per year to 8.25% per year for STRS. The VSRS rate was raised from 8.0% to 8.25% effective 6/30/07.
(5) Projection of salaries has been adjusted to reflect the near term salary decreases and freezes as noted above. However, no changes to assumptions have been made.
(6) Effective January 1, 2014, the Group F employees who are actively contributing into the system on June 30, 2008 and retire on or after July 1, 2008, will be eligible for an enhanced cost of living adjustment equal to the full percentage increase in CPI.

The actuary has estimated the change in the unfunded actuarial accrued liability between June 30, 2008 and June 30, 2010, as follows.

	VSRS	STRS
Unfunded actuarial accrued liability, June 30, 2009.....	$ 326,506,488	$ 727,758,506
Normal cost.....	42,730,487	39,336,165
Employer contribution.....	(54,536,763)	(67,678,259)
Interest on unfunded liability, normal cost and contribution.....	28,256,987	60,548,902
Actuarial (gains) and losses/experience.....	20,876,107	(1,612,796)
Incorporation of temporary salary decreases.....	(69,913,212)	-
Changes to benefits/system provisions.....	-	(46,529,457)
Unfunded actuarial accrued liability, June 30, 2010.....	$ 293,920,094	$ 711,823,061

Annual Pension Cost and Net Pension Obligation

The State's annual pension cost and net pension obligation (NPO) to the Vermont State Retirement System and the State Teachers' Retirement System at June 30, 2010 were as follows.

	VSRS	STRS
Annual Required Contribution (ARC).....	$37,417,824	$41,503,002
Interest on NPO.....	3,881,451	14,515,557
Adjustment to ARC.....	(2,504,166)	(15,408,100)
Annual Pension Cost (APC).....	38,795,109	40,610,459
Employer Contribution Made.....	(31,468,885)	(41,920,603)
Increase in NPO.....	7,326,224	(1,310,144)
NPO - Beginning of Year.....	47,047,885	181,555,753
NPO - End of Year.....	$54,374,109	$180,245,609
Percentage of ARC contributed.....	84.10%	101.01%

Three-Year Trend Information

Year Ended 6/30	Annual Pension Cost	Percentage Contributed	NPO Balance
VSRS			
2008	$ 41,447,876	94.56%	$ 42,766,745
2009	29,415,375	85.45%	47,047,885
2010	38,795,109	81.12%	54,374,109
STRS			
2008	45,629,967	89.76%	175,796,683
2009	41,891,551	89.16%	181,555,753
2010	40,610,459	103.23%	180,245,609

Funded Status and Funding Progress

The following is funded status information for the three defined benefit plans as the most recent valuation date, with amounts in thousands:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
VSRS						
6/30/2010	$ 1,265,404	$ 1,559,324	$ 293,920	81.2%	$ 393,829	74.6%
STRS						
6/30/2010	1,410,368	2,122,191	711,823	66.5%	562,150	126.6%
MERS						
7/1/2010	376,153	408,813	32,660	92.0%	202,405	16.1%

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

B. Defined Contribution Retirement Plans

Vermont State Defined Contribution Plan
In accordance with Title 3 of the Vermont Statutes Annotated, Chapter 16A, the State established an optional defined contribution plan for exempt State employees effective January 1, 1999. The Vermont State Defined Contribution Plan is reported in the Pension Trust Funds.

Approximately 375 exempt employees representing 45% of the eligible employees elected to transfer to the defined contribution plan. Based upon actuarial calculations on a cost-neutral basis so that the accrued balances and liabilities were equivalent, assets totaling $21 million were transferred from the defined benefit plan to the defined contribution plan on January 4, 1999, as a result of the election. As the attendant decrease in liabilities in the defined benefit plan was equal to $21 million, there was no material effect on the financial health of the defined benefit system resulting from the transfer. Exempt employees hired after January 1, 1999, have a one-time opportunity to elect either the defined benefit or defined contribution plan.

Employees are required to contribute at the rate of 2.85%. The State is required to contribute to each employee's account at the rate of 7% of the employee's compensation for each payroll period. An employee becomes vested in the plan after completion of 23 months of creditable service as a State employee. During the fiscal year ending June 30, 2010, member contributions totaled $629,015 with State employer contributions at $1,531,207. As of June 30, 2010, the Vermont State Defined Contribution Plan's net assets totaled $37,061,751 and there were 592 participants.

Vermont Municipal Employees' Defined Contribution Plan

The Vermont Municipal Employees' Defined Contribution Plan (24 V.S.A. 5070) was implemented by the Vermont Municipal Employees' Retirement System's Board of Trustees on July 1, 2000, and is reported as a pension trust fund. The defined contribution plan was offered by municipal employers to one or more groups of their eligible employees. Once offered by the employer, each eligible employee was required to make an election to participate. Employees participating in one of the municipal defined benefit plans who elected to participate in the defined contribution plan had the July 1, 2001, actuarial value of their accrued defined benefit plan transferred to the defined contribution plan. Employers that did not offer the defined contribution plan to their employees as of December 31, 1999, have an opportunity to do so no later than December 31 of any subsequent year with the transfer effective July 1 of the following year.

Participating municipal employees and their employers are required to contribute at the rate of 5% of earnable compensation. Effective July 1, 2008, employers began contributing 5.125% while employee contribution percentages remain unchanged. Employees become vested in the plan after 12 months of service. During the fiscal year ending June 30, 2010, employer contributions totaled $670,540 and member contributions totaled $640,760. As of June 30, 2010, the Municipal Employees' Defined Contribution Plan's net assets totaled $13,380,432, and there were 590 participants.

Single Deposit Investment Account

The Single Deposit Investment Account (SDIA), a non-contributory defined contribution plan. reported as a Pension Trust Fund, was established according to the provisions of Public Act 41 of the 1981 Session. The Act authorized a new Group B non-contributory plan within the State Teachers Retirement System (STRS) and a new Group E non-contributory plan within the Vermont State Retirement System (VSRS).

The STRS's members in the Group A contributory plan could have elected to either remain in the Group A plan or transfer to the new Group B non-contributory plan. Group A members electing to transfer to the Group B plan had their choice between the following three options:

- have both their accumulated employee contributions and accumulated interest returned to them; or
- have their accumulated contributions returned to them and only their accumulated interest invested by the retirement board in the SDIA; or
- have both their accumulated employee contributions and accumulated interest invested by the retirement board in the SDIA.

The VSRS's members in the Group A contributory plan could have elected to either remain in the Group A plan or transfer to the new Group E non-contributory plan. Group A members electing to transfer to the Group E plan had their choice between the following three options:

- have both their accumulated employee contributions and accumulated interest returned to them; or
- have their accumulated contributions returned to them and only their accumulated interest invested by the retirement board in the SDIA; or
- have both their accumulated employee contributions and accumulated interest invested by the retirement board in the SDIA.

Although the above changes were only suppose to occur once in 1981-1982, several more opportunities to move retirement benefits into SDIA presented themselves during the period 1982-1990 and a few individuals took advantage of these opportunities. After 1990, no additional contributions could be made to the SDIA beyond those described above. The SDIA funds are not available to the members until they retire or terminate employment. At June 30, 2010 there were 2,015 members, with net assets of $82,093,423 in the Single Deposit Investment Account.

The defined contribution plans' financial statements are as follows.

Statement of Plan Net Assets
Defined Contribution Plans
June 30, 2010

	Defined Contribution Plans		
	Vermont State Defined Contribution Fund	Single Deposit Investment Account Fund	Vermont Municipal Employees' Defined Contribution Fund
Assets:			
Cash and short term investments	$ 60,961	$ 7,856,305	$ 75,482
Receivables:			
Contributions - current	149,270	-	18,599
Interest and dividends	-	541,785	-
Investments sold	-	1,678,758	-
Other	-	10,359	-
Investments at Fair value:			
Fixed income	-	76,037,054	-
Equities	-	8,160	-
Mutual funds	36,900,570	-	13,328,826
Prepaid expenses	2,563	-	-
Total assets	**37,113,364**	**86,132,421**	**13,422,907**
Liabilities:			
Payable for investments purchased	-	4,038,998	-
Accounts payable	8,161	-	513
Due to other funds	43,452	-	41,962
Total liabilities	**51,613**	**4,038,998**	**42,475**
Net assets held in trust for employees' pension benefits	**$ 37,061,751**	**$ 82,093,423**	**$ 13,380,432**

Statement of Changes in Plan Net Assets
Defined Contribution Plans
For the fiscal year ended June 30, 2010

	Defined Contribution Plans		
	Vermont State Defined Contribution Fund	Single Deposit Investment Account Fund	Vermont Municipal Employees' Defined Contribution Fund
Additions :			
Contributions			
Employer - pension benefit	$ 1,531,207	$ -	$ 670,540
Plan member	629,015	-	640,760
Transfers from other pension trust funds	57,303	-	24,955
Transfers from non-state systems	27,251	-	14,576
Total contributions	**2,244,776**	**-**	**1,350,831**
Investment Income:			
Net appreciation in fair value of investments	3,306,494	4,854,002	1,081,669
Dividends	883,639	-	311,714
Interest income	418	3,608,528	311
Securities lending income	-	48,393	-
Other income	466	13,949	-
Total investment income	**4,191,017**	**8,524,872**	**1,393,694**
Less Investment Expenses:			
Investment managers and consultants	-	388,635	-
Total investment expenses	**-**	**388,635**	**-**
Net investment income	**4,191,017**	**8,136,237**	**1,393,694**
Total additions	**6,435,793**	**8,136,237**	**2,744,525**
Deductions:			
Retirement benefits	1,838,504	5,742,802	948,064
Transfers to other pension trust funds	228,629	-	-
Operating expenses	44,690	-	72,062
Total deductions	**2,111,823**	**5,742,802**	**1,020,126**
Change in net assets	**4,323,970**	**2,393,435**	**1,724,399**
Net assets held in trust for employees' pension benefits:			
July 1	**32,737,781**	**79,699,988**	**11,656,033**
June 30	**$ 37,061,751**	**$ 82,093,423**	**$ 13,380,432**

C. Other Post Employment Benefits

In addition to providing pension benefits, the State offers post employment medical insurance, dental insurance, and life insurance benefits to retirees of the VSRS and STRS.

Medical Insurance Plan Descriptions

Vermont State Retirement System

Employees Hired Prior To July 1, 2008

Employees hired prior to July 1, 2008, and retiring directly from active State service for any reason (disability, early, or normal), including the State Police, may elect to carry whatever medical coverage is in effect at that time into retirement for themselves and their dependents. During their lifetime the retiree will pay 20% of the cost of the premium, except in the case where retirees select joint or survivorship options. If the retiree chooses the joint or survivor pension options and predeceases his or her spouse, the medical benefits along with the pension benefit will continue for the spouse. However, generally, the surviving spouse must pay 100% of the cost of the premium.

In addition, once a retiree or surviving spouse becomes eligible for Medicare coverage (at age 65); it is mandatory that they enroll in both Medicare Part A and Part B as soon as possible. Medicare thus becomes the primary insurer with the State plan becoming the secondary insurer. The insured's State insurance premium costs will then decrease in recognition of this change.

If an employee, other than a group C member, does not retire directly from State service, they are not eligible to participate in the State's medical insurance plan. Group C members who terminate with 20 or more years of service, but are not yet 50 years old, may elect to receive medical coverage at the time they begin receiving their retirement benefits. If the insurance is terminated at any time after retirement benefits have been received, coverage will not be able to be obtained again at a later date.

Employees Hired After June 30, 2008

Based on legislation enacted during fiscal year 2008, Group F employees hired after June 30, 2008 will pay, upon retirement, a tiered retiree health care premium amount based on completed years of service. The tiered rate paid will range from 100% of the premium cost for retirees with less than 10 years of service to 20% of the premium cost for retirees with 20 or more years of service. Additionally, as part of the enacted legislation, Group F employees hired after June 30, 2008 will also have the ability to elect health care insurance at the 20% premium cost level when they begin to receive retirement benefits in a manner comparable to regular retirements even if the employee terminated prior to their early retirement date, provided the member had twenty years of service upon termination of employment.

As of June 30, 2010, 3,885 of the 12,012 participants in the plan were retirees enrolled in the single, spousal, or family plan options. Of the $118.4 million in premiums received by the Medical Insurance Fund (internal service fund) during 2010, retirees contributed $6 million. Of the $109 million in claims expense incurred by the Medical Insurance Fund during 2010, $30.7 million was attributable to retiree claims.

The Vermont State Postemployment Benefits Trust Fund (3 V.S.A. 479a) was established in fiscal year 2007 as an irrevocable trust fund for the purpose of accumulating and providing reserves to support retiree postemployment benefits other than pension benefits for members of the VSRS. By definition this is a fund required to follow the reporting requirements of the Governmental Accounting Standards Board Statement No. 43 - "Financial Reporting for Postemployment Benefit Plans Other Than Pensions." The State's fiscal year 2010 contributions to this trust fund totaled $22.3 million which included a $1.4 million Medicare D reimbursement received from the Federal Government. The trust fund then paid premium payments of $20.9 million (calculated on a pay-as-you-go basis) to the State's Medical Insurance Fund. At June 30, 2010, the trust fund has total net assets of $7,897,382 being held in trust for postemployment benefits other than pension benefits.

State Teachers Retirement System

Retirees in the STRS plan participate in multi-employer health coverage plans operated by the Vermont Education Health Initiative (VEHI) which is managed jointly by the Vermont School Boards Insurance Trust and

the Vermont- National Education Association. VEHI partners with Blue Cross Blue Shield to provide health insurance to retired and active teachers. VEHI issues its own audited financial statements. These and plan information are available the VEHI Offices, 2 Prospect Street, Suite 5, Montpelier, VT 05602.

Members of the STRS have access to three medical benefit plans in retirement. The plans are identical to those offered to active teachers in public school systems in Vermont. Members may pick up medical coverage under one of the plans offered for themselves and all eligible dependents at the time of retirement, or anytime thereafter during one of the semi-annual open enrollment periods. If the member has a minimum of 10 years of creditable service at the time of retirement, the STRS picks up 80% of the retiree's premium only, based on the cost of the "standard plan" as defined by statute. The retiree must pick up the full cost of the premium for all covered dependents. As of June 30, 2010, 4,280 retirees are enrolled in the single, spouse, and family medical plan options. The retirees contributed $10.96 million in premiums and the system contributed $17.6 million in premiums and paid $17.2 million on a pay-as-you-go basis, during fiscal year 2010. VEHI incurred $30.7 million in retiree claims expense for the fiscal year ending June 30, 2010.

The valuation reflects plan changes effective July 1, 2010. The changes affect future retirements only as no changes were adopted for those retired prior to July 1, 2010. Eligibility criteria and premium sharing levels were revised for active employees who did not attain 10 years of service as of June 30, 2010. In addition, the plan now offers subsidized spouse coverage for the first time. For new hires and those with less than 10 years of service as of July 1, 2010, there is no subsidized coverage for those returning with less than 15 years of service at retirement, 60% single coverage at 15 years, 70% single coverage at 20 years and 80% single or spousal coverage at 25 years. Current employees with more than ten years of service as of July 1, 2010 continue with the current 80% coverage. At 25 years of service, employees in this category are generally eligible to elect spousal coverage at retirement.

Once a retiree becomes eligible for Medicare coverage (at age 65), it is mandatory that they enroll in both Medicare Part A and Part B. Medicare becomes the primary insurer and the Teacher's medical plans become the secondary insurer. Two of the plans offered become "carve-out" plans to coordinate with Medicare, and one of the plans is replaced with a true Medicare supplemental plan. The premiums for all plans are reduced in accordance with the decrease in liability once Medicare becomes the primary insurer.

Medicare Part D - Prescription Drug Subsidy
Under the Medicare, Prescription Drug, Improvement, and Modernization Act of 2003 (MMA), employer sponsors of retiree prescription drug plans can apply for a 28% subsidy for the qualified prescription drug costs of their retirees. To be eligible for the subsidy, the employer coverage must be actuarially equivalent to the new Medicare Part D coverage and the employer must provide notices of creditable prescription drug coverage to individuals entitled to Medicare Part D.

The State Teachers' Retirement System Board of Trustees agreed that they would continue to offer the same prescription drug coverage program that has been available to active and retired teachers for the past several years. The Retirement Division has received an attestation from its actuaries that the prescription drug program offered to retired teachers is equivalent, and in fact, better than the drug program offered through Medicare Part D. The State system has also agreed to offer the same prescription drug coverage program that has been available to active and retired State employees for the past several years. The department of Human Resources has received an attestation from its actuaries that the prescription drug program offered to retired members is equivalent, and in fact, better than the drug program offered through Medicare Part D

The systems will continue to evaluate the results of the Medicare Part D Program and its impact on the post-age 65 health care benefits marketplace and prescription drug pricing. The Vermont Teachers' Retirement Board of Trustees and the State will need to determine in future years whether it is in their best interest to continue to offer the same prescription drug program, or whether it should be modified or discontinued. If the determination is to continue to offer the same coverage, the estimated annual subsidy will fluctuate depending on the number of retirees and covered dependents that actually sign up for the Medicare Part D Program. If it is determined that the prescription coverage should either be modified or discontinued, then the savings will be realized by a decrease in medical premiums.

For the fiscal year ending June 30, 2010, the subsidy for the VSRS system was $1,411,792. The State has elected to place this revenue in the Vermont State Postemployment Benefits Trust Fund, an OPEB trust fund to fund future post employment health benefit liabilities. In the case of STRS, the subsidy for fiscal year 2010 was $1,375,282 and was deposited into the pension trust.

Plan Membership

At June 30, 2010, VSRS, the number of participants included in the OPEB valuations are as follows.

	VSRS	STRS
Active employees	8,127	10,509
Terminated vested	-	709
Retired employees	3,885	4,280
Total participants	12,012	15,498

Annual OPEB Cost and Net OPEB Obligation

The State's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. GASB Statement 45 was implemented in fiscal year 2008 prospectively with a zero net OPEB Obligation (NOO) beginning balance for both the VSRS and STRS OPEB defined benefit plans.

The following table shows the component of the State's annual OPEB cost for the year ended June 30, 2010 the amount actually contributed, and the changes in the State's net OPEB obligation.

	VSRS	STRS
Annual Required Contribution (ARC)	$57,998,078	$58,966,227
Interest on NOO	2,915,902	4,800,507
Adjustment to ARC	(2,057,241)	(3,470,210)
Annual OPEB Cost (AOC)	58,856,739	60,296,524
Employer Contribution Made	(22,528,768)	-
Increase in NOO	36,327,971	60,296,524
NOO - Beginning of Year	68,609,470	120,012,681
NOO - End of Year	$104,937,441	$180,309,205
Percentage of ARC contributed	38.84%	0.00%

Three-Year Trend Information

OPEB Fund/Plan	Year Ended 6/30	Annual OPEB Cost*	Percentage Contributed	NOO Balance
State Employees' Postemployment Benefit Trust Fund				
	2010	$ 58,856,739	38.28%	$ 104,937,441
	2009	58,994,051	33.72%	68,609,470
	2008	47,284,903	37.59%	29,508,548
Postemployment Benefits for State Teachers Retirement System				
	2010	$ 60,296,524	0.00%	$ 180,309,205
	2009	59,791,692	0.00%	120,012,681
	2008	60,220,989	0.00%	60,220,989

***** Determined on a pay-as-you-go-basis

In the case of VSRS, health care administrative expenses are appropriated in an administrative budget. The State's contribution for the payment of these administrative expenses is paid into the State Employee Postemployment Benefit Trust Fund which pays the health care expenses. Since these expenses are expressly funded in the State's budget, they have not been included in the pension actuarial contribution calculations.

In the case of STRS, the health care administrative expenses are paid through the pension fund but are not explicitly appropriated. They are therefore, included in the State's actuarial contribution calculations.

Funded Status and Funding Progress

The State's independent actuary has prepared valuations of the OPEB liabilities for VSRS and STRS as of June 30, 2010. This is the fifth annual OPEB valuation for each system. Both the VSRS and STRS reports present two separate calculations of the State's OPEB liability, depending on whether the liability would be prefunded or remain on a pay-as-you-go basis. Since the VSRS has accumulated some assets, a third blended calculation is also included. The Vermont Municipal Employees' Retirement System (VMERS), a cost-sharing, multiple-employer public employees' retirement system, is administered by the State but has no associated State health care benefit or liability. While the Vermont Municipal Employees Health Benefit Fund is classified as a post employment benefit fund, there is no accrued liability in excess of the assets of the fund. There is no annual required contribution and unfunded actuarial accrued liability. Component units and authorities of the State will perform their own valuation as the State does not assume the risk or financial burden for their health care costs.

The funding status of the plans, with amounts in thousands of dollars, as of June 30, 2010, was as follows.

Actuarial Valuation Date 6/30	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
VSRS (1)						
2010	$7,897	$925,183	$917,286	0.9%	$414,936	221.1%
STRS (2)						
2010	$0	$703,751	$703,751	0.0%	$560,763	125.5%

(1) Reflects blended discount rate of 4.25% in 2010.
(2) Discount rate for 2010 at 4.0%, reflecting no prefunding.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information immediately following these notes to the financial statements, presents multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

OPEB Actuarial Valuation- Methods and Assumptions

For VSRS, the actuarial accrued liability for OPEB obligations earned through June 30, 2010 is $925.2 million with an unfunded actuarial liability of $917.3 million. This is an increase as compared to the June 30, 2009 unfunded actuarial liability of $775.0 million. The net increase in liability was greater than expected, primarily due to demographic experience different than expected; per capita claims cost increases in excess of expected; an update to the healthcare cost trend assumption; and expansion of coverage of adult children to age 26 as required under health care reform legislation.

To fully amortize this liability over a 30-year period utilizing an amortization with installments increasing at a rate of 5.0% per year would require an ARC commencing at $67.0 million for fiscal year 2011 and projected to increase to $300.6 million in fiscal year 2041. If, however, prefunding is assumed, the actuarial accrued liability is reduced to $543.1 million with an unfunded actuarial liability of $535.2 million and the ARC is calculated to commence at $44.1 million for fiscal year 2011, projected to increase to $181.6 million for fiscal year 2040. Upon retirement of the unfunded accrued liability, the projected normal cost in fiscal year 2041 on a prefunding basis is $74.8 million. The fiscal year 2011 State budget funds the current year expected benefit payments of approximately $27.0 million, which is less than the ARC applicable under either funding basis.

The health care trend cost rate assumption was modified to extend the period until the ultimate trend rate is reached from 2 years to 8 years in order to reflect general market expectations. Age morbidity factors were adjusted, eliminating the assumed increase in cost for ages above 65 for prescription drug costs for Medicare-eligible participants in light of recent internal studies of claims experience for credible retiree populations comparable to the population covered by the System. Assumed costs for pre-65 medical and prescription drug and Medicare-eligible medical costs continue to reflect age adjustments. All other assumptions, including the assumed discount rate, were the same as those used in 2009.

An OPEB trust has been established for VSRS funded in part, as required by statute, through the deposit of Medicare-D subsidies received for State employees' prescription programs. Therefore the VSRS system reflects

a “blended rate” reflecting some level of prefunding, resulting in an assumed discount of 4.25% instead of the pay-as-you-go liability calculated at 4%.

An OPEB valuation was also completed for STRS. An OPEB trust has not been created for STRS and no prefunding has been made. As noted above, an experience study was completed for the STRS retirement system. Valuation assumptions were updated to reflect the postretirement benefit plans changes and the effects of changes to pension benefits adopted concurrently. Retirement rates were updated in order to reflect expected retirement patterns under the revised pension benefits. Assumptions regarding incidence of spouse coverage and spouse age difference are introduced. Benefits are attributed to expected date of retirement, consistent with the new tiered structure. Finally, the valuation no longer reflects age-morbidity factors, as it is has been determined that STRS liabilities are fully insured and any implicit rate subsidy is completely born by the VEHI health insurance purchasing arrangement. There were no changes to the discount rate.

For STRS, assuming no prefunding, the actuarial accrued liability and the unfunded actuarial liability for OPEB obligations earned through June 30, 2010 is $703.8 million. This is a reduction compared to the unfunded actuarial liability of $872.2 million as of June 30, 2009. The net decrease on the liability was primarily due to an increase in plan premiums smaller than expected; removal of assumed age-morbidity factors as outlined above; and changes to eligibility and cost-sharing plan provisions effective July 1, 2010, including associated changes in assumptions and the attribution method.

To fully amortize this liability over a 30-year period utilizing an amortization with installments increasing at a rate of 5.0% per year would require an ARC commencing at $41.5 million for fiscal year 2011 and projected to increase to $161.7 million in fiscal year 2041. If, however, prefunding is assumed, the actuarial accrued liability and the unfunded actuarial liability is reduced to $374.1 million and the ARC is calculated to commence at $26.8 million for fiscal year 2011, projected to increase to $110.4 million for fiscal year 2040. Upon retirement of the unfunded accrued liability, the projected normal cost in fiscal year 2041 on a prefunding basis is $34.9 million. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The following list contains the various actuarial methods and significant assumptions used to determine the annual required contributions at the State level for VSRS and STRS OPEB plans.

	VSRS	STRS
Valuation date	6/30/2010	6/30/2010
Actuarial cost method	Projected Unit Credit	Projected Unit Credit
Amortization method	Closed basis for prefunded Open basis for pay-as-you go	Closed basis for prefunded Open basis for pay as you go
Amortization period	30 years starting in 2011	30 years starting in 2011
Actuarial assumptions		
Investment rate of return - pefunding	8.25%	8.25%
Investment rate of return - pay-as-you-go	4.25% [(1)]	4.00%
Medical Care and State Share Inflation	7% in 2011	7% in 2011
	6.75% in 2012, 6.5% in 2013, declining to 5% in 2020	6% in 2012, 5% in 2013 and subsequent years
Coverage	80% of current active employees will elect retiree medical coverage and 70% of terminated vested will elect coverage	60% of current active employees will elect retiree medical coverage and 30% of terminated vested will elect coverage

[(1)] In Fiscal year 2010, partial prefunding resulted in a blended rate of 4.25%

Dental Insurance

Dental plans are available to retired State employees, retired teachers, retired municipal employees and their eligible dependents. The dental plan must be elected at the time of retirement. The retiree pays the full premium for all covered lives. There is no cost to the State.

Life Insurance

In the case of life insurance, if a State employee retires with 20 or more years of service and was participating in the life insurance program, it will continue into retirement, but, up until July 1, 2008, was reduced to $5,000. As of July 1, 2008 this benefit was increased to $10,000 for all State employees. If a State employee retires due to disability prior to age 60, and if proper documentation is approved by the life insurance company, full life insurance coverage will continue at the State's expense up to age 65. When the retiree reaches the age of 65 and if they have a total of 20 years or more of active and retired (while receiving disability) service, life insurance coverage will automatically change to the $10,000 (increase from $5,000 effective July 1, 2008) level with 100% of the premium being paid by the State. In addition, a retiree may convert their insurance coverage in effect at their time of retirement to an individual policy within 30 days of their retirement date without a physical exam.

Vermont Municipal Employees Health Benefit Fund

The VMERS RHS Plan established on July 1, 2007, is a tax-advantaged savings plan that assists retirees in paying for healthcare costs after retirement. Contributions to this fund are deposited into the RHS Plan member accounts on a tax-free basis, accumulate interest on a tax-free basis, and are drawn out during retirement on a tax-free basis to reimburse health care expenses, including out-of-pocket expenses, deductibles and premiums.

The VMERS Board deposited an initial amount of $5.1 million into the RHS accounts on July 2, 2007. Additional employer contributions totaling approximately $6 million were collected during the course of the fiscal years 2008 and 2009 that were deposited in member accounts during fiscal year 2009. No such contributions were made in fiscal year 2010. Future contributions and subsequent transfers to member accounts will be made

as directed by the VMERS Board of Trustees. There is no guarantee that the RHS member accounts will receive any additional funding. While classified as a post employment benefit fund, there is no accrued liability in excess of the asset of the fund. There is no annual required contribution and unfunded actuarial accrued liability.

All VMERS defined benefit members and retirees who have a minimum of 5 years of contributory service are eligible to participate in the RHS plan. The amount each member will receive is determined by the total number of contributory years of service in the system. Each year of service is equal to one share. The share value is determined based on the total eligible population, the total number of years of contributory service represented, and the amount of the distribution. The share value will change when future deposits are made. All eligible members receive the first five shares in their medical reimbursement account, which may be used for any medical expense, including premium reimbursement. The additional shares, representing service credit above five years, are deposited into the premium reimbursement account, which may only be used for medical, dental, vision or long-term health care premium reimbursements.

The money may be accessed by members only be accessed after separation from service and the achievement of retiree status from the VMERS plan. For members who were already receiving retirement benefits from the VMERS, the funds in their RHS account could be accessed after July 2, 2007 to reimbursement expenses incurred after July 1, 2007. Members who are still actively employed, and members in a vested-terminated status, may access the funds once they retire and begin receiving monthly pension payments. Funds in the RHS accounts are invested in the appropriate age-related Milestone Fund through a third party record keeper.

At June 30, 2010, there were 5,226 active and retired members participating in the VMERS RHS plan. Investments in member accounts as of June 30, 2010 totaled $9,554,653. The financial statements for the OPEB Funds are as follows.

Statement of Plan Net Assets
Other Postemployment Benefit Funds
June 30, 2010

	Vermont State Postemployment Benefits Trust Fund	Vermont Municipal Employees' Health Benefit Fund
Assets:		
Cash and short term investments.....	$ 2,266,683	$ 208,579
Receivables:		
Due from other funds.....	819,760	-
Investments at Fair value:		
Fixed income.....	4,315,753	-
Equities.....	1,742,949	-
Mutual funds.....	328,725	9,346,074
Total assets.....	**9,473,870**	**9,554,653**
Liabilities:		
Accounts payable.....	56,607	-
Due to other funds.....	1,519,881	-
Total liabilities.....	**1,576,488**	**-**
Net assets held in trust other postemployment benefits.....	**$ 7,897,382**	**$ 9,554,653**

Statement of Changes in Plan Net Assets
Other Postemployment Benefit Funds
For the fiscal year ended June 30, 2010

	Vermont State Postemployment Benefit Trust Fund	Vermont Municipal Employees' Health Benefit Fund
Additions :		
Contributions		
Employer - healthcare benefit	$ 22,300,139	$ -
Transfers from other pension trust funds	228,629	-
Total contributions	**22,528,768**	**-**
Investment Income:		
Net appreciation in fair value of investments	267,872	928,135
Dividends	51,269	-
Interest income	160,923	484
Total investment income	**480,064**	**928,619**
Less Investment Expenses:		
Investment managers and consultants	-	62,104
Total investment expenses	**-**	**62,104**
Net investment income	**480,064**	**866,515**
Total additions	**23,008,832**	**866,515**
Deductions:		
Other post employment benefits	20,860,032	349,821
Total deductions	**20,860,032**	**349,821**
Change in net assets	**2,148,800**	**516,694**
Net assets held in trust for postemployment benefits:		
July 1	**5,748,582**	**9,037,959**
June 30	**$ 7,897,382**	**$ 9,554,653**

Note 6: ACCOUNTS RECEIVABLE

Accounts receivables at June 30, 2010 are summarized as follows:

Governmental activites:	Governmental Funds Major	Governmental Funds Non-major	Internal Service Funds	Total Governmental Activities
Taxes:				
Personal and corporate income	$ 148,340,084	$ -	$ -	$ 148,340,084
Sales and use	59,640,067	-	-	59,640,067
Meals and rooms	25,367,962	-	-	25,367,962
Purchase and use	391,107	-	-	391,107
Motor Fuel	6,870,161	99,315	-	6,969,476
Other taxes	47,398,051	-	-	47,398,051
Subtotal	288,007,432	99,315	-	288,106,747
Allowance for uncollectibles	(90,642,279)	-	-	(90,642,279)
Taxes receivable, net	$ 197,365,153	$ 99,315	$ -	$ 197,464,468
			Current receivable	$ 97,790,406
			Non-current receivable	99,674,062
			Total taxes receivable, net	$ 197,464,468
Loans and notes:				
Loans and notes receivable	$ 209,549,359	$ -	$ -	$ 209,549,359
Allowance for uncollectibles	(436,800)	-	-	(436,800)
Loans and notes receivable, net	$ 209,112,559	$ -	$ -	$ 209,112,559
			Current receivable	$ 41,359,716
			Non-current receivable	167,752,843
			Total loans and notes receivable, net	$ 209,112,559
Federal grants	$ 126,123,665	$ 543,293	$ -	$ 126,666,958
Other:				
Accrued interest and other receivables	$ 88,707,008	$ 513,857	$ 11,671,802	$ 100,892,667
Allowance for uncollectibles	(15,392,437)	(13,726)	(75,000)	(15,481,163)
Other receivables, net	$ 73,314,571	$ 500,131	$ 11,596,802	85,411,504
Interfund loans receivable from Fiduciary Funds				558,268
Less Internal Service Funds' receivables from Governmental Funds				(8,763,323)
Other receivables, net				$ 77,206,449
			Current receivable	$ 22,622,480
			Non-current receivable	54,583,969
			Total other receivables, net	$ 77,206,449

Business-type activities:	Enterprise Funds Major	Enterprise Funds Non-major	Total Business-type Activities
Taxes:			
Unemployment	$ 22,102,517	$ -	$ 22,102,517
Allowance for uncollectibles	(3,551,141)	-	(3,551,141)
Taxes receivable, net	$ 18,551,376	$ -	$ 18,551,376
Loans and notes receivable	$ -	$ 2,752,896	$ 2,752,896
Current receivable			$ 853,734
Non-current receivable			1,899,162
Total loans and notes receivable, net			$ 2,752,896
Federal grants	$ 1,625,440	$ -	$ 1,625,440
Other:			
Accrued interest and other accounts receivable	$ 3,051,471	$ 408,092	$ 3,459,563
Allowance for uncollectibles	(56,934)	(109,364)	(166,298)
Other accounts receivable, net	$ 2,994,537	$ 298,728	$ 3,293,265
Current receivable			$ 3,222,501
Non-current receivable			70,764
Total other receivables, net			$ 3,293,265

Note 7: LEASE COMMITMENTS

A. Operating Leases

The State is committed under various operating leases covering real property (land and buildings) and equipment. Although lease terms vary, certain leases continue subject to appropriation by the General Assembly. If continuation is reasonably assured, leases requiring appropriation by the General Assembly are considered non-cancelable leases for financial reporting purposes. It should also be noted that the State is currently negotiating a small number of operating leases on which rent is being paid on a month-by-month basis and for which there is no signed agreement. These leases have not been included in the following table.

Total lease payments paid by the primary government in fiscal year 2010 was $9,066,256 for operating leases of which $9,004,080 was paid for property leases, $24,886 for equipment leases and $37,290 for cancellable land rentals.

The following is a summary of the estimated future minimum rental commitments under operating leases for real property and equipment at June 30, 2010.

	Primary Government		
Fiscal Year	Non-Cancelable Leases	Cancelable Leases	Total
2011	$ 6,342,382	$ 20,369	$ 6,362,751
2012	5,183,460	14,145	5,197,605
2013	4,698,771	9,463	4,708,234
2014	2,812,279	2,902	2,815,181
2015	1,193,716	1,702	1,195,418
2016 - 2020	879,432	771	880,203
2021 - 2025	464,334	-	464,334
2026 - 2029	38,989	-	38,989
Totals	$21,613,363	$ 49,352	$ 21,662,715

B. Capital Leases

The State has entered into capital lease arrangements to acquire various items of machinery and equipment and building improvements with a gross asset value totaling $6,312,144. Also during fiscal year 2010, the State has entered into a capital lease agreement with the Banc of America Public Capital Corp, who in return have an agreement with the contractor, NORESCO LLC., for energy efficiency projects for State buildings located in Montpelier, Waterbury and Middlesex. The total cost of the equipment to be funded by the lessee under the agreement is $4,728,467 consisting of 120 payments, based on 10 years using simple interest rate of 3.089% and a compound interest of 3.133% with a first payment to occur on January 1, 2010. The term of the lease is for the agreement date of August 1, 2008, and ending on September 11, 2018. The progress payments from Banc of America to NORESCO, LLC as stated in the agreement commenced on August 1, 2008, with a final payment made by November 1, 2009. At this point the lessee, the State, takes ownership of the projects. The future payments less interest is included in this footnote.

Capital lease payments for the primary government in 2010 totaled $353,900 with $63,254 for machinery and equipment and $290,646 for building improvements. The future minimum lease obligation and the net present value of the minimum lease payments at June 30, 2010 are as follows.

Fiscal Year	Primary Government
2011	$ 636,328
2012	644,863
2013	651,538
2014	660,142
2015	666,092
2016 - 2019	2,256,003
Total minimum lease payments	5,514,966
Less: interest	(695,077)
Present value of minimum lease payments	$ 4,819,889

The State, acting through its Agency of Transportation entered into a capital lease with Main Street Landing Company, for premises in and adjacent to Union Station at 1 Main Street, Burlington, Vermont, on January 20, 1998. The term of the lease was for a 20 year period and the entire 20 year rent of $1,500,000 was prepaid in four equal installments beginning November 26, 1996 and ending in 1998. The terms of the lease give the State the right to purchase a condominium interest in their leased property at the end of the lease term for $500,000 subject to certain terms and conditions. The State is also required to pay its share of certain annual operating costs throughout the terms of the lease.

Note 8: GENERAL OBLIGATION BONDS PAYABLE

General obligation bonds payable have been authorized and issued primarily to provide funds for acquisition and construction of capital facilities for higher education, public and mental health, correctional facilities, environmental conservation purposes, maintenance and construction of highways, assistance to municipalities for construction of water and sewage systems, and local schools. Also, bonds have been authorized and issued to refund outstanding general obligation bonds.

Once authorized by the Legislature, the State Treasurer, with the approval of the Governor, may issue general obligation bonds. Except for zero coupon capital appreciation bonds, the bonds are to be payable in

substantially equal or diminishing amounts, the first such payment to be payable not later than five years after the date of the bonds, and the last such payment to be made no later than twenty years after the date of the bonds.

The changes in bonds principal payable for fiscal year 2010 are summarized in the following schedule.

		General Obligation Bonds
Balance, July 1, 2009		$ 452,981,611
Additions:		
Issuances	$ 110,830,000	
Accretions	994,604	
Total		111,824,604
Deductions:		
Redemptions	52,935,000	
Defeasances	39,080,000	
Total		(92,015,000)
Balance, June 30, 2010		$ 472,791,215

During fiscal years 1991, 1992, and 1994, the State issued zero coupon capital appreciation bonds. Zero coupon capital appreciation bonds are bonds issued at a discount to their face value. Instead of interest being paid on a periodic (i.e. semi-annual) basis, an increase in the principal due (accreted amount) is recognized on a regular basis. The total accreted amount at maturity will be the face value of the bonds.

On December 1, 1993, the State issued capital appreciation bonds with a maturity value of $32,625,000 maturing on August 1 in the years 1999 through 2013. The proceeds from these bonds totaled $17,987,640. These bonds have a remaining maturity value of $7,250,000 and an accreted value of $6,481,301 at June 30, 2010.

On October 30, 1991, capital appreciation bonds with a maturity value of $20,575,000 were issued. These bonds mature on October 15 in the years 1996 through 2011. Proceeds from these bonds totaled $9,999,837. These bonds have a remaining maturity value of $2,570,000 and an accreted value of $2,409,689 at June 30, 2010.

During fiscal year 1991, capital appreciation bonds were issued with a maturity value of $48,935,000, and are scheduled to mature on December 1 in the years 1995 through 2010. Proceeds from these bonds totaled $19,310,002. These bonds have a remaining maturity value of $4,105,000 and an accreted value of $3,965,225 at June 30, 2010.

See the following page for a schedule of general obligation bonds outstanding at June 30, 2010.

General Obligation Bonds outstanding at June 30, 2010 are comprised of the following issues:

Date Issued	Date Series Matures	Interest Rates %	Amount of Original Issue	Maturity Value of Capital Appreciation Bonds	Maturity Value Sources of Payments: General Fund	Transportation Fund	Special Fund	Maturity Value of Bonds Outstanding Total
General Obligation Current Interest Bonds:								
11/14/2001	8/1/2020	3.25 to 4.75	46,000,000		$ 4,370,000	$ -	$ -	$ 4,370,000
12/27/2001	8/1/2011	4.0 to 4.375	5,000,000		1,000,000	-	-	1,000,000
12/11/2002	8/1/2021	3.0 to 5.0	30,800,000		5,655,000	-	-	5,655,000
12/17/2002	8/1/2013	2.0 to 5.0	31,555,000		14,612,000	798,000	-	15,410,000
2/11/2004	2/1/2018	1.1 to 5.0	137,457,000		65,450,367	1,874,633	2,565,000	69,890,000
3/10/2004	3/1/2023	2.0 to 5.0	42,200,000		26,808,341	2,051,659	-	28,860,000
3/2/2005	3/1/2025	3.0 to 4.0	26,000,000		23,250,000	-	-	23,250,000
4/13/2005	3/1/2015	2.4 to 4.0	15,000,000		7,000,000	500,000	-	7,500,000
6/7/2005	3/1/2020	2.65 to 5.0	20,805,000		19,109,087	565,913	880,000	20,555,000
11/22/2005	7/15/2025	3.5 to 5.0	30,000,000		18,000,000	-	-	18,000,000
12/13/2005	7/15/2015	3.1 to 4.0	15,000,000		9,000,000	-	-	9,000,000
2/21/2007	7/15/2026	4.0 to 5.0	30,000,000		27,750,000	-	-	27,750,000
3/15/2007	7/15/2016	3.375 to 4.0	9,500,000		6,650,000	-	-	6,650,000
3/15/2007	7/15/2016	3.375 to 4.0	5,000,000		3,500,000	-	-	3,500,000
11/28/2007	7/15/2027	3.50 to 5.25	35,000,000		32,600,000	-	-	32,600,000
12/20/2007	7/15/2017	3.0 to 4.0	11,000,000		8,800,000	-	-	8,800,000
12/20/2007	7/15/2017	3.0 to 5.0	29,195,000		17,604,660	355,340	380,000	18,340,000
3/11/2009	3/1/2029	2.0 to 5.0	50,500,000		34,035,000	13,940,000	-	47,975,000
2/3/2010	8/15/2016	2.0 to 5.0	11,200,000		11,200,000	-	-	11,200,000
2/3/2010	8/15/2029	3.75 to 4.5	40,800,000		40,800,000	-	-	40,800,000
3/11/2010	8/11/2019	2.0 to 2.8	20,000,000		20,000,000	-	-	20,000,000
3/11/2010	8/15/2021	2.0 to 5.0	29,155,000		29,155,000			29,155,000
3/11/2010	8/15/2021	2.0 to 5.0	9,675,000		9,675,000			9,675,000
					436,024,455	**20,085,545**	**3,825,000**	**459,935,000**
General Obligation Capital Appreciation Bonds:								
12/13/1990	12/1/2010	N/A	19,310,002	48,935,000	4,105,000	-	-	4,105,000
10/30/1991	10/15/2011	N/A	9,999,837	20,575,000	2,570,000	-	-	2,570,000
12/1/1993	8/1/2013	N/A	17,987,640	32,625,000	7,250,000	-	-	7,250,000
Total Maturity Value					**13,925,000**	-	-	**13,925,000**
Less: Unaccreted Interest					1,068,785	-	-	1,068,785
Total General Obligation Capital Appreciation Bonds					**12,856,215**	**-**	**-**	**12,856,215**
Total General Obligation Bonds					**$ 448,880,670**	**$ 20,085,545**	**$ 3,825,000**	**$ 472,791,215**

At June 30, 2010, there remains $87,630,859 of authorized but unissued general obligation bonds.

Future general obligation debt service requirements at June 30, 2010 are as follows.

Fiscal Year	Current Interest Bonds Principal	Current Interest Bonds Interest	Capital Appreciation Bonds	Total
2011	45,490,000	$ 23,383,260	$ 7,140,000	$ 76,013,260
2012	44,760,000	18,661,057	3,035,000	66,456,057
2013	40,460,000	16,083,141	1,750,000	58,293,141
2014	40,245,000	14,710,724	2,000,000	56,955,724
2015	33,365,000	11,795,506	-	45,160,506
2016-2020	126,205,000	41,730,482	-	167,935,482
2021-2025	87,660,000	19,142,771	-	106,802,771
2026-2030	41,750,000	4,157,527	-	45,907,527
Totals	$ 459,935,000	$ 149,664,468	$ 13,925,000	$ 623,524,468

Note 9: BOND REFUNDINGS

During the 2010 fiscal year, the State issued general obligation refunding bonds Series C-1 in the amount of $29,155,000 and Series C-2 in the amount of $9,675,000 to be used solely to refund portions of the State's general obligation bonds. Through advanced refunding, the 2001 Series A Bonds and the 2002 Series A Bonds will be refunded with proceeds from the 2010 Series C-1 Bonds on a current basis of $30,080,000. The 2005 Series D Bonds will be refunded with proceeds of the Series C-2 Bonds on a current basis of $9,000,000. The total refunded amount of $39,080,000 results in defeasance of debt and the liabilities have been removed the State's financial statements. Total proceeds inclusive of premium for the 2010 Series C-1 and C-2 Bonds respectively is $32,429,968 and $10,103,330. The State has taken advantage of lower interest rates; and has decreased its aggregate debt service payments by $2,632,910 over the eleven years ending August 2021. The economic gain (the present value of the debt service savings) for the State through this transaction is $2,370,096, using a discount rate of 2.4%.

During fiscal years 2004, 2005, and 2008, the State defeased "in-substance" certain general obligation bonds by issuing new bonds and by placing the proceeds of these new bonds in an irrevocable trust. These trust assets are utilized to make all debt service payments on the defeased bonds. Accordingly, these trust assets and the liability for the defeased bonds are not included in the State's financial statements.

The total amount of defeased bonds remaining outstanding at June 30, 2010, is $50,100,000.

Note 10: BUDGET STABILIZATION RESERVES

The 1993 Legislature amended action taken by the 1987 Legislature by repealing legislation creating the Budget Stabilization Trust Fund and created separate Budget Stabilization Reserves within both the General Fund and Transportation Fund. The Education Fund Budget Stabilization Reserve was created by the 1999 Legislature. These reserves were created to reduce the effects of annual variations in State revenues upon these funds by reserving certain surpluses of revenues.

The reserves balances will consist of any unreserved undesignated surplus at the close of the fiscal year, provided the balance in each fund's Budget Stabilization Reserve shall not exceed an amount equal to five percent of its appropriations for the prior fiscal year plus any additional amounts as may be authorized by the Vermont Legislature. Use of the reserve is limited to offsetting the respective fund's deficit at the close of a fiscal year. For fiscal year 2010, the State fully funded the Budget Stabilization Reserves for the General, Transportation and Education Funds to their respective statutory maximum levels. The balances at June 30, 2010 are as follows: $10,283,595 in the Transportation Fund's Budget Stabilization Reserve; $57,313,939 in the General Fund's Budget Stabilization Reserve; and $29,846,238 in the Education Fund's Budget Stabilization Reserve.

Note 11: CONTINGENT AND LIMITED LIABILITIES

A. Contingent Liabilities

Vermont Economic Development Authority:
In 1974, the General Assembly created the Vermont Industrial Development Authority, renamed it the Vermont Economic Development Authority (VEDA) in 1993; and transferred the functions and the responsibilities of the Vermont Industrial Building Authority, Industrial Park Authority, and the Aid Board to it. Each of these original entities was relegated to a particular segment of commercial development. VEDA was established as a body corporate and politic and a public instrumentality of the State. It is governed by a twelve member board which consists of the Secretary of the Agency of Commerce and Community Development, the State Treasurer, the Secretary of Agriculture, Food and Markets, and nine public members appointed by the Governor with the advice and consent of the Senate. The full faith and credit of the State is pledged to support the activities of VEDA.

VEDA has the power, under its two insurance programs (the Mortgage Insurance Program – MIP and the Financial Access program – FAP), to insure various types of loans.

Under the MIP, VEDA has the power to insure up to $9 million of loans made by financial institutions for the purchase of land and construction of industrial building facilities in the State; to finance the purchase of machinery and equipment; and to provide working capital. The refinancing of existing loans is also possible under the act that created VEDA. As of June 30, 2010, the State's contingent liability for mortgage insurance contracts insured under its MIP is $4,901,888.

VEDA is authorized to reimburse lenders participating in its other insurance program (FAP) for losses incurred on loans that the lenders register with VEDA. The full faith and credit of the State is pledged in an amount equal to the reserve premium payment deposited by the participating lenders for each registered loan, with the aggregate amount of credit that may be pledged not to exceed $1 million at any one time. The State's contingent liability for the FAP at June 30, 2010 is $807,044. The State has no recorded payable to VEDA in the Governmental Funds for fiscal 2010.

Federal Grants:
The State receives federal grants that are subject to audit and review by federal grantor agencies that could result in expenditures being disallowed under the terms of the grants. However, it is believed that required reimbursements resulting from such disallowances would not be material.

B. Limited Liabilities

Vermont Economic Development Authority:
The State has a limited liability for the VEDA. VEDA may create one or more debt service reserve funds in accordance with 10 V.S.A. Section 219. Annually, VEDA must report to the State the amount necessary to bring the reserve balances up to the minimum required by statute. This sum so certified may be appropriated by the State. To date, it has not been necessary for the State to appropriate money to maintain the reserve and it is not anticipated that any appropriation will have to be made.

Vermont Municipal Bond Bank:
The State has a limited liability for the Vermont Municipal Bond Bank (Bank). The Bank is required to maintain debt service reserve funds. 24 V.S.A. Section 4675 requires the State to provide annual appropriations to restore the reserve funds to the required minimum balance, if necessary. It has never been necessary for the State to appropriate money to the reserve fund and it is not anticipated that it will need to make an appropriation in the future.

Vermont Housing Finance Agency:
The State has a limited liability for the Vermont Housing Finance Agency (Agency). The Agency may create one or more debt service reserve funds in accordance with 10 V.S.A. Section 632. Annually, the Agency must report to the State the amount necessary to bring these reserve fund balances up to the minimum required by statute.

This sum so certified may be appropriated by the State. It has not been necessary for the State to appropriate money to maintain the reserve fund and it is not anticipated that any appropriation will have to be made.

C. Contractual Liabilities

At June 30, 2010, the State of Vermont had long-term contracts outstanding of approximately $192,644,542 funded from federal sources, and $605,330,820 funded from all other funding sources. Contracts such as retainer contracts and contracts for commodities have not been included since the nature of these on-going contracts are tracked statewide to insure the best prices for supplies and some professional services. Following is a summary of contractual liabilities by agency, department or office at June 30, 2010.

Agency, Department, or Office	Total Contractual Obligation at June 30, 2010	Funded by Federal Sources	Funded by Other Sources
Agency of Administration	$ 128,156,555	$ 144,492	$ 128,012,063
Agency of Agriculture, Food & Markets	743,833	242,000	501,833
Agency of Commerce & Community Development	6,156,620	148,854	6,007,766
Agency of Human Services	170,099,498	22,694,654	147,404,845
Agency of Natural Resources	4,455,341	1,244,806	3,210,535
Agency of Transportation	283,279,525	152,635,703	130,643,822
Auditor of Accounts' Office	7,142,902	-	7,142,902
Criminal Justice Training Council	46,488	-	46,488
Department of Banking, Insurance, Securities & Health Care Administration	7,432,596	-	7,432,596
Department of Education	8,288,317	7,790,607	497,710
Department of Labor	281,440	281,440	-
Department of Liquor Control	6,658	-	6,658
Department of Public Safety	4,174,920	3,778,323	396,597
Enhanced 911 Board	11,084,000	-	11,084,000
Joint Fiscal Office	615,860	-	615,860
Judiciary	4,007,812	-	4,007,812
Legislative Council	24,435	-	24,435
Military Department	3,455,550	3,352,094	103,456
Office of the Attorney General	1,132,419	90,449	1,041,970
Public Service Board	655,688	-	655,688
Public Service Department	16,088,817	-	16,088,817
Secretary of State's Office	611,372	241,120	370,252
State Treasurer's Office	111,678,126	-	111,678,126
State's Attorneys and Sheriffs	10,055	-	10,055
Vermont Lottery Commission	28,346,534	-	28,346,534
Total	**$ 797,975,361**	**$ 192,644,542**	**$ 605,330,820**

The Agency of Transportation contracts are mainly infrastructure construction contracts of which 77% have end dates of June 30, 2011 or earlier. Of the Agency of Human Services contract liability balance, 41% is for contracts in the Department of Corrections and 39% is Department of Vermont Health Access. Of the contracts in the Agency of Administration, 78% have end dates during fiscal year 2011, and are primarily for human resource benefit administration services, information technology services, and capital construction. The State Treasurer's Office contracts are mostly investment management services for the retirement plans, with 55% having end dates during fiscal year 2011.

D. Grant Awards

The State of Vermont engages in many grant programs that benefit municipalities, non-profits, individuals and families statewide. During fiscal year 2010, the State awarded over seven thousand grants. The chart below shows the funding sources for these awards, the fiscal year 2010 payments issued to grantees on both these awards and prior year grant awards, and the remaining unexpended award amounts and June 30, 2010.

	Fiscal Year 2010 Awards	Current & Prior Year Awards Expended During Fiscal Year	Award Balances at June 30, 2010
General Fund	$ 131,784,633	$ 128,966,540	$ 6,786,628
Federal grant sources	281,473,707	245,816,194	154,688,896
Other funding sources	156,943,539	141,918,033	72,822,603
Total	**$ 570,201,879**	**$ 516,700,767**	**$ 234,298,127**

A partial summary of the 2010 grant activity is provided below.

Higher education and student assistance grants awarded during fiscal year 2010 totaled $103,815,797 with $92,616,061 from General Fund, $115,448 from Federal sources and the remaining amount of $11,084,288 from all other funds. During fiscal year 2010, the State expended $103,672,850 both on these awards and prior year awards. At June 30, 2010, there is a remaining unexpended award balance of $236,341.

During fiscal year 2010, over 375 federal ARRA grants, totaling $48,235,474, were awarded in the areas of general education, loan funds, training, tourism, Vermont economic development and public safety programs. The amount expended during fiscal year 2010 totaled $33,139,912 which leaves an unexpended balance of $15,095,561 at June 30, 2010.

During fiscal year 2010, 127 grants totaling $1,516,208 ($1,055,832 from federal grant sources and $460,376 from other sources) were awarded for Emergency Management and First Response Programs. This $1,516,208 plus previous years' unexpended balances of $3,941,756 provided a total of $5,457,964 awarded and available for spending during fiscal year 2010. A total of $3,260,580 was expended, leaving a granted but unexpended balance of $2,197,384 remaining for future years.

During fiscal year 2010, using State funds only, community and economic development grants totaling $5,732,200 were awarded for energy savings programs and feasibility studies utilizing wind power, solar panels and geothermal projects. Expenditures in these areas totaled $2,145,479 which leaves an unexpended 2010 grant award balance of $3,586,721, which, along with prior years' unexpended balances of $2,124,976, leaves a total unexpended balance of $5,711,697 at June 30, 2010.

During fiscal year 2010, the United States Department of Justice awarded the Vermont Center for Crime Victim Services 62 federal grants totaling $2,719,140 for crime victim assistance, and domestic and family violence services' programs. The amount expended totaled $2,168,766 which along with a prior years' unexpended balance of $387,458, leaves an unexpended committed balance of $937,832 at June 30, 2010.

During fiscal year 2010, over 200 grants were awarded by the State to alcohol and drug abuse programs. The total awarded of $22,110,624, consists of $667,001, $20,845,723, and $597,900 from the General Fund, federal grant sources and all other sources respectively. The State expended $15,290,440 during fiscal year 2010, which leaves an unexpended awarded balance of $241,763 in General Fund, $8,409,137 in federal grant sources, and $119,901 in all other funding sources at June 30, 2010.

Under labor and training programs like vocational rehabilitation, many grants have been awarded to outreach

programs, individuals with disabilities, and work training programs. In fiscal year 2010, vocational rehabilitation grants of $3,101,328 (with $2,397,225 coming from federal sources) were awarded, and $2,619,134 were expended. The unexpended balance remaining at June 30, 2010, is $1,002,882 which includes prior years' unexpended balances of $520,688.

During fiscal year 2010, 77 grants totaling $5,614,645 (including $3,094,043 from federal sources) were awarded in other labor related areas such as workforce education, career exploration and apprenticeship programs. Fiscal year 2010 total expenditures were $4,782,809, which leaves an awarded but unexpended balance of $3,689,241 at June 30, 2010. This June 30, 2010 balance includes an unexpended balance from previous fiscal years of $2,857,405.

Other Educational grants have been awarded for school improvements, Title I, II, III and V as well as head start and technology advances. During fiscal year 2010, 1,596 education grants totaling $104,829,135 with $92,079,247 coming from federal sources were awarded. These grants, along with prior years' awarded but unexpended funds of $11,432,205, allowed for a fiscal year 2010 expended amount of $97,356,043 with $84,464,204, $62,785, and $12,829,054 coming from federal sources, General Funds, and all other sources respectively. The remaining unexpended balance at June 30, 2010 is $18,905,297, with $18,851,322 of this balance coming from federal sources.

Public health grants are awarded for prevention of diseases, public awareness programs vaccinations and inspection programs. During fiscal year 2010, grants totaling $27,342,782 with $18,457,387 coming from federal sources were awarded. These awards, plus unexpended awards from previous years totaling $2,676,858, funded the fiscal year 2010 expenditures of $24,335,076 with $4,634,439, $16,427,075 and $3,273,562 coming from General Fund, federal sources, and all other sources, respectively. The unexpended balance at June 30, 2010 is $5,684,564 with $3,837,290 from federal sources.

Transportation grants consists of town highway projects like bridge replacement and rehabilitation, culvert repair and State aid to towns; State and FTA funded projects; State paving projects and various roadway projects. Fiscal year 2010 total grants awarded were $66,719,852, with $19,679,465 coming from federal sources, and $ 47,040,387 coming from State and bonding sources other than the General Fund. This total, plus previous years' unexpended awards of $105,552,004, funded $65,992,912 in expenditures, with $25,256,584 from federal sources and $40,736,328 coming the sources. This leaves an unexpended balance of $106,278,944 at June 30, 2010.

During fiscal year 2010, $58,046,512 ($41,997,201 in federal sources) in human services grants for child care programs, economic and family services, economic opportunities and weatherization programs were awarded. These awards along with previous years' unexpended balances of $296,931 funded expenditures of $49,159,441 resulting in an unexpended balance at June 30, 2010 of $9,184,002, of which $6,679,503 was funded by federal sources.

During fiscal year 2010, over 170 grants totaling $20,277,825 were awarded to the aged and independent living programs. The majority of the grants were for training, work based learning and supported education, abuse prevention, caregiver programs and grants for home delivered meals. Of the total grant amount of $20,277,825 awarded, $7,319,515 came from the General Fund, $11,137,086 from federal sources, and $1,821,224 from all other sources; the sum of which when combined with an unexpended balance remaining from previous awards of $2,625,843, funded expenditures of $19,873,550. The unexpended balance remaining at June 30, 2010 totaled $3,030,118 and is comprised of $245,227 in General Fund, $2,627,576 in federal sources, and $157,315 in all other sources.

Note 12: LITIGATION

The State, its agencies, officials and employees are defendants in numerous lawsuits involving funding for social welfare programs, civil rights actions, public education funding, breach of contract and negligence. The Attorney General is unable to predict the ultimate outcome of the majority of these suits, some of which seek recovery of

monetary damages of unspecified amounts. However, based on information provided by the Attorney General, any ultimate liability to the State resulting from these lawsuits that is not covered by various insurance policies, would not materially affect the State's overall financial condition.

Note 13: JOINT VENTURE

The State of Vermont has entered into a Tri-State Lotto Compact with the States of New Hampshire and Maine for the purpose of operating a tri-state lottery. This lottery does not replace Vermont's individual lottery games but is run in addition to the existing games. The Compact provided for the creation of a Tri-State Lottery Commission (Commission) which is an interstate body, both corporate and politic, serving as a common agent for the party states and representing them both collectively and individually in the exercise of its powers and duties. The Commission is composed of one member from each of the party states. Each State's lottery appoints one of its members to this position. The three-member Commission annually elects a chairperson from among its members. The Commission is empowered to promulgate rules and regulations governing the establishment and to administer the operation of the Tri-State Lotto. Tri-State Lotto tickets are sold in each of the party states and processed in a central location as determined by the Commission. Fifty percent of the gross sales from each State are aggregated in a common prize pool, and operating costs are charged proportionally to each of the party states. The remaining revenues generated within each State remain in that particular State.

At June 30, 2010, the Commission had total assets of $94,321,601, and total liabilities of $79,285,126, representing decreases of $7.3 million and $6.8 million respectively, compared to restated June 30, 2009 figures. For the fiscal year ended June 30, 2010, the Commission had operating revenues of $78,725,431, an increase of $13.6 million; interest income of $28,943, a decrease of $195,289; commissions, fees, and bonus expenses of $8,900,722, an increase of $1,280,222; prize awards of $39,275,620 an increase of $6.9 million; and other operating expenses of $4,332,190, a decrease of $116,434; all activity as compared to the fiscal year ended June 30, 2009.

During fiscal year 2010, the Commission made operating transfers to member states of $26,245,842 versus $20,857,397 during fiscal year 2009. This total included $3,350,968 transferred to Vermont during the fiscal year, an increase of $790,021 as compared to fiscal year 2009.

Additional information regarding the Tri-State Lotto Commission may be obtained by contacting the Vermont Lottery Commission, 1311 US Route 302-Berlin, Suite 100, Barre, Vermont 05641.

Note 14: RISK MANAGEMENT

A. Workers' Compensation and Risk Management

The Agency of Administration Financial Operations Division of the Department of Buildings and General Services oversees the Workers' Compensation and Risk Management programs, which administers all insurance programs for State government with the exception of the health and life insurance plans listed below. State policy is to minimize the purchase of commercial insurance by either self-funding or otherwise retaining the risk when it makes sense to do so. The programs set aside assets and pay claims utilizing the following three Internal Service Funds:

Workers' Compensation Self Insurance Fund
State Liability Self Insurance Fund
Risk Management – All Other Fund (used for the purchase of commercial insurance)

The Workers' Compensation Fund covers all State employees who are injured on the job, pursuant to State statute. Certain quasi-governmental entities may also request coverage through this program. The State has unlimited exposure to liability and has not purchased any stop-loss insurance to limit this exposure. All claims are processed by Workers' Compensation personnel and are audited annually by an outside claims adjuster to ensure that the claims-based statistical information used to calculate the State's workers' compensation exposure is reliable. Liability is reviewed annually by an outside actuary, including a review of incurred but not

reported claims (IBNR). The contribution required to fully fund losses is calculated annually by an outside actuary. Allocation to each participating entity is done by the Risk Management personnel utilizing departmental exposure and experience factors.

The Liability Insurance Fund covers general and employment practices liability, discrimination, and auto liability risk. The coverage is comparable to standard private commercial policies. It offers coverage to the same group of participants as those covered by the workers' compensation program described above. The State's exposure to risk in Vermont is subject to the doctrine of sovereign immunity and is governed by the Vermont Tort Claims Act, 12 V.S.A. §5601. Exposure outside of Vermont is potentially unlimited. The State is self-insured (SIR) for the first $250,000 of exposure and has purchased excess commercial insurance to cover the additional per-occurrence exposure in amounts of up to $750,000 ($1,000,000 total) in Vermont and $10,000,000 in excess of the $250,000 SIR for claims that are not subject to the Vermont Tort Claims Act. Claims are processed by Risk Management personnel (prior to 2006, claims were processed by a third-party administrator), and are audited annually by an outside claims adjuster to ensure that the claims-based statistical information used to calculate the State's liability exposure is reliable. This liability is reviewed annually by an outside actuary, including a review of incurred but not reported claims (IBNR). The contribution required to fully fund losses is calculated annually by an outside actuary. Allocation to each participating entity is done by the Risk Management personnel utilizing departmental exposure and experience factors.

The Risk-Management – All Other Fund provides insurance coverage through purchased commercial policies for risks not covered in the above funds or which are self-assumed. This coverage provides insurance for State-owned real property, bonds for various categories of employees, errors and omissions coverage for judges, and various other miscellaneous coverages. The State's liability exposure is limited to the amount of the various deductibles associated with the respective policies. Premium charges from the various insurers are either assessed directly against the entity requiring the coverage or apportioned among those entities receiving the benefits of the coverage. Risk Management also assesses a surcharge of up to 5% of the premium to cover administrative costs. Entities eligible for coverage are the same as those listed above for the other funds.

There have been no significant reductions in insurance coverage from the prior year. Insurance settlements have never exceeded the coverage disclosed above.

In addition to the three internal service funds above, effective July 1, 2007, the General Assembly established the Sarcoidosis Benefit Trust Fund (a program in the Special Fund) to cover specific claims arising from an outbreak of Sarcoidosis at the impaired State office building in Bennington, Vermont (Act 53 of 2007). Claims are reviewed and processed under rules established that mirror the rules for the Workers' Compensation Fund claims. Funding was established as a special fund and not a proprietary fund as funding will only be available by the General Assembly as claims arise and funding needs are determined. The Fund is managed by the Workers' Compensation personnel. In fiscal year 2010 and 2009 respectively, approved claims paid were $292,291 and $43,582.

B. Health Care Insurance, Dental Assistance Plan, Life Insurance, Employee Assistance Program, and Long Term Disability Funds for State Employee Benefit Plans

The Administrative Services Division of the Department of Human Resources maintains medical/behavioral health insurance, dental assistance plan, life insurance, employee assistance program, and long term disability program funds for the benefit of current State employees, retired former employees, and legislators as well as employees and certain former employees of outside "special" groups which have been declared eligible to participate by statute or labor agreement. Not all of these named groups may participate in every plan. Detailed eligibility information for each group listed above can be found in the plan summaries that follow. Temporary and contractual employees are not eligible to participate in these plans.

Enrolled plan participants share in the premium cost of the medical/behavioral health plan. Prescription drug coverage is included in the medical/behavioral health plan. Premium rate setting is performed by an outside actuary in conjunction with the Fiscal Unit of the Administrative Services Division of the Department of Human

Resources. The State's liability for incurred but not yet reported (IBNR) claims is calculated by the actuary and is based on the State's prior claims experience. Special Groups covered under the health insurance plan remit premium to the State for their members. Retirees covered under the health plan pay premium through the Retirement Division.

The current medical insurance plan offerings include four plan options. TotalChoice and HealthGuard options are "preferred provider organization" indemnity-type plans. The SafetyNet option is a high-deductible catastrophic plan. The TotalChoice, HealthGuard and SafetyNet plans all currently have a 2 million dollar lifetime maximum on benefits; however this limit is removed as of January 1, 2011 due to implementation of the federal Patient Protection and Affordable Care Act. The SelectCare plan is a "point of service" plan, similar to an open-ended HMO. Members may opt out of the SelectCare network but must meet a deductible and coinsurance to do so. Benefits are administered under a managed care arrangement. All four health plan options are self-insured by the State. The State employs a third party administrator to provide administrative services, including claims payment. To limit the State's large claims exposure, the State has purchased a stop loss insurance policy.

The self-funded State of Vermont Employee Dental Assistance Plan provides up to $1,000 regular dental benefits annually and up to $1,750 lifetime benefit for orthodontic expenses for each participant. These plan caps effectively limit the State's exposure to catastrophic loss so no stop-loss insurance has been purchased. The Administrative Services Division within the Department of Human Resources sets the premium rates, in consultation with the dental plan administrator's actuary. Participants include all groups mentioned in paragraph 1 above except for retirees. The State pays 100% of the premium for State employee participants and their covered dependents. Special Groups covered under the dental assistance plan remit premium to the State for their members.

The State of Vermont Employee Life Insurance Program consists of a Term-Life benefit and an Accidental Death and Dismemberment (AD&D) benefit, each of which provides coverage equal to two times a participant's base salary rounded down to the nearest $100. Retirees who work for the State for at least twenty years and who have life insurance at the time of retirement receive a retiree life benefit of $10,000 with no AD&D coverage. Both Life and AD&D are fully insured benefits. The State purchases insurance under which the carrier retains liability for all claims. The Administrative Services Division calculates the premium rates charged to departments for both of these programs. The State pays 75% of active employees' premiums and 100% of retirees' premium costs. Only current State employees, retired State employees, and current active employees of outside special groups are eligible to participate. Special Groups covered under the life insurance plan remit premium to the State for their members.

A Flexible Spending Account (FSA) Program is available to active State employees only. This account allows pre-tax salary deductions to be used to reimburse eligible medical and dependent care expenses. The FSA Program administrator is paid a monthly fee based on the number of enrolled employees. No claims costs are incurred under this plan by the State. The State pays 100% of the fee for this plan.

An Employee Assistance Program (EAP) is provided for the benefit of State employees and members of their immediate household. This program assists employees and family members in addressing problems that impact their lives including stress, family, financial, substance abuse, and other issues. Active State employees and their families are eligible for this program. The EAP Program Manager is paid a monthly fee based on the number of employees who work for the State. The plan provides up to 5 counseling sessions per case through a network of providers. No claims costs, or claims liabilities are incurred under this plan by the State. The State pays 100% of the fee for this plan.

A Long Term Disability Program is provided as an income replacement benefit for certain State employees who become disabled due to non-occupational injury or illness, and the disability is expected to be long term or permanent. The plan provides financial protection for State employees and their families by continuing a portion of their income while disabled. Only State employees who are not eligible to be represented by the employees' union (the Vermont State Employees Association) are eligible for this benefit. Employees must be employed for one (1) year before coverage is effective. This plan is fully insured through an insurance company, so there is

no liability to the State for claims. The premium is based on a percentage of the salaries of eligible participants. The State issues payment to the insurance company for the premium and the cost is then recovered from eligible employees in the following manner: Those eligible employees who are covered by a leave plan forfeit one day of compensated absence leave per year. Those eligible employees who are not covered by a leave plan have a one-time 0.2% salary reduction in their next cost-of-living increase following eligibility.

Presented below is a table displaying three years' changes in the respective funds' claims liability amounts.

Fund and Fiscal Year	Liability at Beginning of the Fiscal Year	Current FY Claims and Changes in Estimates	Current FY Claims Payments	Balance of Liability at End of Fiscal Year
Workers' Compensation Fund				
2008	18,191,561	6,291,342	5,861,002	18,621,901
2009	18,621,901	8,810,223	6,679,413	20,752,711
2010	20,752,711	9,958,945	6,374,876	24,336,780
State Liability Insurance Fund				
2008	4,752,746	2,587,585	1,563,479	5,776,852
2009	5,776,852	1,663,583	1,158,621	6,281,814
2010	6,281,814	1,983,164	1,347,076	6,917,902
Medical Insurance Fund				
2008	10,489,226	97,858,788	97,169,573	11,178,441
2009	11,178,441	104,332,765	104,672,736	10,838,470
2010	10,838,470	109,027,749	108,961,398	10,904,821
Dental Insurance Fund				
2008	275,757	5,206,269	5,226,924	255,102
2009	255,102	5,233,950	5,212,645	276,407
2010	276,407	4,972,853	4,974,032	275,228

Note 15: DEFICIT FUND BALANCES AND NET ASSETS

Business-type Proprietary Funds

Federal Surplus Property: ended fiscal year 2010 with both a deficit unrestricted net asset and a deficit total net asset balance of $907,144. The program continues to suffer from a lack of inventory for sale from the federal government that could be retrieved for sale by the State. Though sales were higher in fiscal year 2010, the result is a net loss to the program of $77,415 for fiscal year 2010. The intent is to actively retrieve goods for sale and increase activity in fiscal 2011. Given the program is popular with local governments the plan would be to recapitalize the fund from the General Fund at some point if sales continue to keep the program in a deficit position.

Vermont Life Magazine: ended fiscal year 2010 with both a deficit unrestricted net asset and a deficit total net asset balance of $618,406. Due mainly to the economic recession, Vermont Life Magazine's operating loss in

fiscal year 2010 increased over the fiscal year 2009 by approximately $140,522 to an operating loss of $157,467. Early on in fiscal year 2010, sales realized were not up to previous years' levels. Proactive steps were taken in fiscal year 2010 to reduce costs and streamline tasks to improve efficiencies. Cost cutting included leaving a critical position vacant and relocating the central office to the National Life Facility, which reduced Vermont Life Magazine's rent. After significant analysis, Vermont Life outsourced product fulfillment and shipping, which increased the number of hours phone lines were open as well as virtually eliminated the need for temporary staff, equipment, and additional phones. In addition, Vermont Life pushed for renewed subscriptions by calling businesses that had ordered in the past but not renewed. In June of 2010, the new calendar price was increased. It was a transition year for the fund and there were some expenses involved in making those changes that will not be repeated in fiscal year 2011. In fiscal year 2011, Vermont Life Magazine's fund deficit should be recovered through increased sales from a bigger catalog with a new direction toward promoting the Vermont Artisans' and his or her products and through an overall improved economy.

Internal Service Funds

Copy Center Fund: ended fiscal year 2010 with a deficit unrestricted net asset balance of $2,916,705 and a deficit total net asset balance of $1,769,887. The fund reduced its annual operating loss by 62% over fiscal year 2009 due to cost containment and aggressive management. With the push to do more with electronic communication, sales fell in fiscal year 2010 by 8%. The program was able to reduce expenditures resulting in a smaller loss for the year. As part of the *Challenges for Change* legislation enacted by the General Assembly, it is anticipated that the Copy Center will see an increase in business activity in fiscal 2011 and beyond while ensuring the goal of saving the State resources. The fund deficit should be recovered through normal operations.

Facilities Operations Fund: ended fiscal year 2010 with a deficit unrestricted net asset balance of $1,068,490 and a deficit total net asset balance of $1,182,854. Due to a warmer than expected winter, the Fee for Space program ended the year with a surplus of $767,947. In addition, funds were transferred into the fund by from the General Fund surplus to help with the fund deficit. As a result, the fund deficit was reduced by 48% over fiscal year 2009. It is expected that the fund deficit should be recovered through normal operations.

Financial & HR Information Fund: ended fiscal year 2010 with a deficit unrestricted net asset balance of $93,335 and a deficit total net asset balance of $81,657. The charges for sales and services for fiscal year 2010 were relatively flat due to financial constraints on the State budget. Staffing costs and other operational expenses increased $270,122 resulting in an operating loss of $59,588 for the year. This operational loss along with administrative charges to the fund resulted in a fund deficit. It is expected that normal operations in fiscal year 2011 will recover this deficit.

Fleet Fund: ended fiscal year 2010 with a deficit unrestricted net asset balance of $5,228,622. The program actually ended the fiscal year in positive territory from activities. Administrative charges resulted in the program having a negative change in net assets which is not anticipated for fiscal year 2011. The unrestricted deficit is $5,228,622 while Invested in Capital Assets is a positive $5,399,334. This unrestricted deficit is not expected to go to $0 given the vehicles are on a rolling annual replacement schedule financed through the Interfund Payable. The total net asset balance for fiscal year 2010 is positive and should remain in that position.

Postage Fund: ended fiscal year 2010 with a deficit unrestricted net asset balance of $1,613,790 and a deficit total net asset balance of $1,569,493. The Postal Fund loss in fiscal year 2010 is the result of an 11% reduction in sales. As part of the Challenges for Change legislation, the Postal Center has been accepted as a Charter Unit and will be aggressively looking at consolidating postal functions from other agencies and departments with the overall goal of saving State resources. The current fund deficit will be recovered through business operations and a general fund subsidy intended to cover other services provided including internal mail delivery.

Property Management Fund: ended fiscal year 2010 with a deficit unrestricted net asset balance of $20,374,100 and a deficit total net asset balance of $20,373,313. In fiscal year 2010, the Property Management Fund experienced improvement in operations resulting in a small loss of $8,281 from operations. In addition, the fund deficit continues to expand due to the 20-year bonding of the three buildings in the program and the 50-year

recovery period of the bond principal. The fund will begin to recover after the 20-year bond period has ended. In fiscal 2011, 108 Cherry Street no longer has a bond payment. It is anticipated the fund deficit will now begin to be recovered over the next 30 years.

Risk Management All-Other Fund: ended fiscal year 2010 with a deficit unrestricted net asset balance of $212,964 and a deficit total net asset balance of $208,769. This deficit is expected to be eliminated in fiscal year 2011 through normal operations.

Single Audit Revolving Fund: ended fiscal year 2010 with both a deficit unrestricted net asset and a total net asset balance of $89,174. The deficit can be attributed to fiscal year 2009 budget rescissions resulting in a transfer to the general fund. The fund deficit should be recovered through normal billing for services.

State Liability Insurance Fund: ended fiscal year 2010 with both a deficit unrestricted net asset and a total net asset balance of $831,870. The premium holidays ended in fiscal 2009. Fiscal year 2010 had charges for sales and services of $2,867,514 but offsetting increase in the IBNR claims expense, which resulted in a loss for the year. The current deficit is actuarially driven and should be recovered through normal operations which resumed in fiscal year 2011 and fiscal year 2012.

Workers' Compensation Fund: ended fiscal year 2010 with both a deficit unrestricted net asset balance and a total net asset balance of $6,036,235. An unexpected increase in the claims level for the State resulted in a large actuarial adjustment to the claims incurred but not reported figure of $3.6 million in fiscal year 2010. Despite cost control of other operational expenses, the program lost $2,376,121 in fiscal year 2010 primarily due to claims. As for expenditures that can be controlled, BGS has hired a third party bill payer, which should result in a reduction of more than $125,000 in operating expense on an annual basis in fiscal year 2011 and going forward. It is expected that normal billing operations in fiscal year 2011 should produce an improvement to net assets.

Governmental Funds

Transportation Bond Fund: ended fiscal year 2010 with a deficit fund balance of $218,769. This deficit is the result of capital projects incurring liabilities prior to the sale of bonds. This deficit will be eliminated in fiscal year 2011 with the sale of special obligation transportation infrastructure bonds authorized in the Act 123 of 2010 for the State's transportation program.

Note 16: CHANGES IN LONG-TERM LIABILITIES

Governmental activities long-term liabilities are generally liquidated by payments from the governmental and internal service funds' programs. Bonds payable are liquidated by the General, Transportation, and Special Funds. Other liabilities include the unamortized premium on the sale of bonds. During the year ended June 30, 2010, the following changes occurred in the long-term liabilities.

PRIMARY GOVERNMENT

	Total Liability July 1, 2010	Additions	Reductions	Total Liability June 30, 2010	Amounts due within one year
Governmental activities:					
Bonds payable	$ 452,981,611	$ 111,824,604	$ 92,015,000	$ 472,791,215	$ 52,630,000
Capital leases payable	4,908,099	119,489	207,703	4,819,885	483,536
Compensated absences	33,150,338	31,173,904	31,665,587	32,658,655	21,405,382
Claims and judgments	38,149,402	125,942,711	121,657,382	42,434,731	11,279,414
Contingent liabilities	7,000,000	-	-	7,000,000	-
Net pension obligations	228,603,638	79,405,568	73,389,488	234,619,718	-
Net other postemployment obligations	188,622,151	119,153,263	22,528,768	285,246,646	-
Other liabilities	11,955,196	5,160,586	1,438,442	15,677,340	1,655,300
Pollution remediation obligation	3,689,993	1,888,751	423,449	5,155,295	433,904
Total governmental activities long-term liabilities	$ 969,060,428	$ 474,668,876	$ 343,325,819	$ 1,100,403,485	$ 87,887,536

Governmental activities bonds payable additions of $111,824,604 include $994,604 of accretions on capital appreciation bonds.

Under the federal Superfund law, the State is responsible for sharing remediation costs at sites where the United States Environmental Protection Agency (USEPA) expends resources from the superfund trust for cleanup. Currently, there are five sites in Vermont in various stages of cleanup, from initial assessment to cleanup activities. There was a net increase of $1,465,302 in the Pollution Remediation Obligation (PRO) at June 30, 2010. These liabilities were measured using the actual contract cost, where no changes in cost are expected, or a method that is materially close to the expected cash flow technique. Liability estimates are subject to change due to cost increases or reductions, or changes in technology or applicable laws or regulations governing the remediation efforts. The State does not anticipate recovering reimbursements from the parties who caused the pollution.

The State has identified another site for cleanup for which estimated costs (liabilities) have not been recognized. The site, which is a mine, has been identified as having significant erosion. Currently, costs for its remediation and long term maintenance have not been determined at this time as the evaluation processes have just begun. The State is in the process of determining who is responsible and if there is a potential to recover cleanup funds from former owners. The case has been referred to the USEPA for consideration as a Superfund site.

	Total Liability July 1, 2010	Additions	Reductions	Total Liability June 30, 2010	Amounts due within one year
Business-type activities:					
Unemployment compensation trust fund federal account loan	$ -	$ 32,657,065	$ -	$ 32,657,065	$ -
Compensated absences	368,350	263,043	278,063	353,330	209,951
Lottery prize awards payable	4,744,552	61,119,300	61,380,727	4,483,125	2,706,745
Total business-type activities long-term liabilities	$ 5,112,902	$ 94,039,408	$ 61,658,790	$ 37,493,520	$ 2,916,696
Fiduciary:					
Compensated absences	$ 12,131	$ 14,435	$ 12,754	$ 13,812	$ 8,671
Total fiduciary long-term liabilities	$ 12,131	$ 14,435	$ 12,754	$ 13,812	$ 8,671

During the fiscal year, the Unemployment Compensation Trust Fund began drawing advances from the U. S. Treasury's Unemployment Trust Fund (UTF), The American Recovery and Reinvestment Act of 2009 provided that these State advances be interest free through December 31, 2010.

Note 17: RESTRICTED NET ASSETS – Discretely Presented Component Units

Restricted net assets are those portions of total net assets that are not available for appropriation for expenditure or that are legally segregated for a specific future use. Net assets restricted at June 30, 2010 are as follows.

	Vermont Student Assistance Corporation	University of Vermont and State Agricultural College	Vermont State Colleges	Vermont Housing Finance Agency	Non-major component units
Restricted for:					
Endowments:					
Expendable	$ 79,000	$ 248,903,000	$ 3,523,663	$ -	$ -
Nonexpendable	2,889,000	89,758,000	11,995,940	-	-
Grants and scholarships	1,716,000	-	-	-	-
Bond resolution	94,026,000	-	-	76,078,150	-
Educational programs appropriation	-	-	-	-	-
Interest rate subsidies	-	-	-	-	4,774,775
Investment - Vermont Capital Partners, LP	-	-	-	-	-
Investment - Vermont Seed Capital, LP	-	-	-	-	2,900,000
Investment - VSJF Flexible Cap Fund	-	-	-	-	196,799
Collateral for commercial paper program	-	-	-	-	20,051,714
Infrastructure Investments	-	-	-	-	1,048,824
Project and program commitments	-	-	-	-	23,265,625
Loans receivable[1]	-	-	-	-	147,544,060
Total Component Units - Restricted Net Assets	**$ 98,710,000**	**$ 338,661,000**	**$ 15,519,603**	**$ 76,078,150**	**$ 199,781,797**

[1] Loans receivable for the Vermont Housing & Conservation Board include federally restricted funds.

Note 18: SUBSEQUENT EVENTS

Debt Issuances

2010 Series A - Special Obligation Transportation Infrastructure Bonds

The State issued $14,400,000 of 2010 Series A Special Obligation Transportation Infrastructure Bonds dated August 3, 2010. The interest rates on these bonds vary from 2% to 4% with interest payments to the bondholders scheduled to commence on December 15, 2010 and terminate June 15, 2030. These bonds are not general obligations of the State and are not secured by the full faith and credit of the State but are payable only from Pledged Funds held in Trust by the Peoples United Bank (Trustee) in accordance with the terms of a Trust Agreement between the State and Peoples United Bank dated July 1, 2010. Funding sources for the Pledged Funds are funds to be received from Motor Fuel Infrastructure Assessments as authorized by Act 50 of the 2009 legislative session. The proceeds from this issue are expected to be expended for transportation infrastructure purposes, namely the rehabilitation or replacement of five State bridges, construction of one roadway capacity project, and rehabilitation and reconstruction of two interstate bridges.

2010 Series D-1 – General Obligation Bonds and Series D-2 (Federally Taxable – Build America Bonds – Direct Payments) General Obligation Bonds

The State issued $3,750,000 Series D-1 and $46,250,000 Series D-2 General Obligation Bonds dated October 26, 2010. The bonds are general obligations of the State of Vermont and the full faith and credit of the State are

pledged to the payment of principle and interest on these bonds.

The Series D-1 bonds' interest rate is 3% and payment to bondholders is scheduled to commence beginning August 15, 2011 and ending August 15, 2013. The Series D-2 bonds' interest rate varies from 1.45% to 4.70% and interest payments to bondholders is scheduled to commence August 15, 2011 and end August 15, 2030. The issuance of the bonds is authorized by Act 161 of the 2010 legislative session. The proceeds are to be used for various purposes including capital projects, major maintenance at the Vermont State Colleges, Vermont school construction, cellular and broadband telecommunications improvements, and various projects in the areas of human services, natural resources, public safety, and other uses.

As noted above, the State elected to authorize and issue the Series D-2 bonds as "Build America Bonds" pursuant to the American Recovery and Reinvestment Act of 2009 ("ARRA"). By doing this, the State is eligible to receive subsidy payments (Direct Payments) from the U.S. Treasury equal to 35% of the taxable interest the State pays on the Series D-2 bonds provided certain required filings are made timely with the Federal government. The State intends to make all required filings on a timely basis or risk losing the direct payments. Additionally, the State has agreed to accept the limitation on uses of the bond proceeds as stipulated by the Federal government. These uses include capital expenditures, reasonably required reserve funds, and costs of issuance.

2010 Series E (Vermont Citizen Bonds) – General Obligation Bonds

The State issued $25,000,000 of 2010 Series E General Obligation bonds dated November 30, 2010. The bonds are general obligations of the State of Vermont and the full faith and credit of the State are pledged to the payment of principle and interest on these bonds. The interest rate on these bonds varies from 1.5% to 4% with payments to the bondholders scheduled to begin August 15, 2011 and end on August 15, 2020. The proceeds from these bonds can be used for various purposes as authorized by Act 148(1998), Act 149(2002), Act 63(2003), Act 121(2004), Act 147(2006), Act 200(2008), Act 43(2009) and Act 161(2010). These purposes cross a wide range of purposes including pollution control, building maintenance, major maintenance – University of Vermont, various grant purposes, and a wide range of other projects.

Global Commitment to Health – 1115 Demonstration Waiver

Vermont's 5 year 1115 Demonstration Waiver agreement with the Center for Medicaid and Medicare Services (CMS) was due to expire on September 30, 2010, however the State has been granted extension of the current operating terms through December 31, 2010. On January 1, 2011, new standard terms and conditions (STC), with clarifications and revised procedures, will take effect and extends the agreement to December 31, 2013. These STC include the agreements related to the cost sharing that the State can expect from CMS to support certain Medicaid obligations. The documents have received approval by the US Health and Human Services' Office of General Counsel, Office of Budget & Management, and CMS's finance & management group and policy staff. The final documents have been submitted to the CMS Director for final signature. As of December 20, 2010, the State has not received this final approval. The status of this extension has no impact on the accompanying financial statements.

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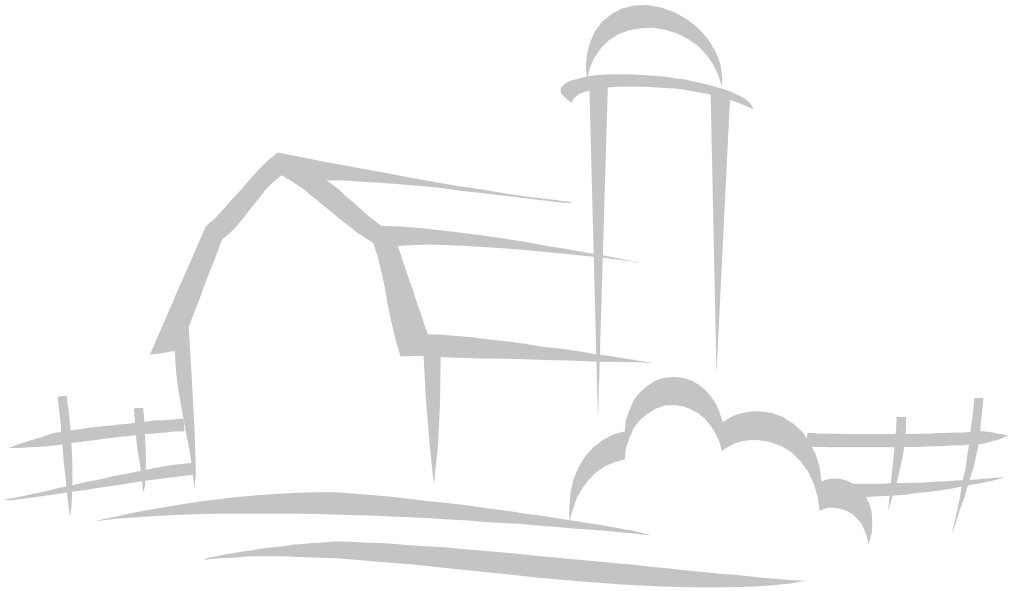

Vermont

Required Supplementary Information

(Unaudited)

State of Vermont
Required Supplementary Information
Defined Benefit Pension Plans
Schedule of Funding Progress
(dollar amounts in thousands)
(Unaudited)

Actuarial Valuation Date 6/30	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
VSRS[1]						
2010	$1,265,404	$ 1,559,324	$ 293,920	81.2%	$ 393,829	74.6%
2009	1,217,638	1,544,144	326,506	78.9%	404,516	80.7%
2008	1,377,101	1,464,202	87,101	94.1%	404,938	21.5%
2007	1,318,687	1,307,643	(11,044)	100.8%	386,917	-2.9%
2006	1,223,323	1,232,367	9,044	99.3%	369,310	2.4%
2005	1,148,908	1,174,796	25,888	97.8%	349,258	7.4%
STRS[1]						
2010	$1,410,368	$ 2,122,191	$ 711,823	66.5%	$ 562,150	126.6%
2009	1,374,079	2,101,838	727,759	65.4%	561,588	129.6%
2008	1,605,462	1,984,967	379,505	80.9%	515,573	73.6%
2007	1,541,860	1,816,650	274,790	84.9%	499,044	55.1%
2006	1,427,393	1,686,502	259,109	84.6%	468,858	55.3%
2005	1,354,006	1,492,150	138,144	90.7%	453,517	30.5%
MERS						
2010	$ 376,153	$ 408,813	$ 32,660	92.0%	$ 202,405	16.1%
2009	331,407	366,973	35,566	90.3%	191,521	18.6%
2008	348,740	343,685	(5,055)	101.5%	162,321	-3.1%
2007	325,774	309,853	(15,921)	105.1%	148,815	-10.7%
2006	288,347	276,552	(11,795)	104.3%	146,190	-8.1%
2005	259,076	248,140	(10,936)	104.4%	135,351	-8.1%

[1] The funding method for VSRS and STRS was changed from "entry age normal with frozen initial liability" to "entry age normal" effective with the 2006 actuarial valuaton.

State of Vermont
Required Supplementary Information
Defined Benefit Pension Plans
Schedule Of Employer Contributions
(Unaudited)

Retirement System	Year Ended 6/30	Annual Required Contribution	Percentage Contributed
Vermont State Retirement System	2010	$ 37,417,824	84.10%
	2009	28,997,554	86.68%
	2008	42,375,068	92.49%
	2007	40,189,812	97.78%
	2006	38,214,704	97.58%
	2005	36,019,056	101.32%
State Teachers' Retirement System	2010	$ 41,503,002	101.01%
	2009	39,616,990	97.83%
	2008	41,204,051	99.40%
	2007	38,929,729	98.89%
	2006	56,627,046	44.06%
	2005	47,714,318	51.23%
Vermont Municipal Employees' Retirement System	2010	$ 10,592,919	100.00%
	2009	-	NA
	2008	-	NA
	2007	8,546,496	100.00%
	2006	7,839,769	100.00%
	2005	7,359,628	100.00%

NA - not applicable.

For fiscal years 2009 and 2008, the Vermont Municipal Employees' Retirement System required no employer contributions for the defined benefit pension plan. Instead, employer contributions were directed to the OPEB defined contribution plan's Vermont Municipal Employee's Health Benefit Fund.

State of Vermont
Required Supplementary Information
Other Postemployment Benefit Plans
Schedule of Funding Progress

(dollar amounts in thousands)
(Unaudited)

Actuarial Valuation Date 6/30	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
State Employees' Postemployment Benefit Trust Fund[1]						
2010	$ 7,897	$ 925,183	$ 917,286	0.9%	$414,936	221.1%
2009	5,749	780,748	774,999	0.7%	426,827	181.6%
2008	3,664	754,690	751,026	0.5%	404,937	185.5%
2007	2,211	606,499	604,288	0.4%	386,917	156.2%
State Teachers Retiree Medical Benefit Plan[2]						
2010	-	703,751	703,751	0.0%	560,763	125.5%
2009	-	872,236	872,236	0.0%	561,588	155.3%
2008	-	863,555	863,555	0.0%	535,807	161.2%
2007	-	820,212	820,212	0.0%	515,573	159.1%

[1]Based on a discount rate of 4.00% for 2007 and 2008; and 4.25% for 2009 and 2010.

[2]Based on a discount rate of 3.75% for 2007; 4.00% for 2008 and 2009; and 8.25% for 2010.

State of Vermont
Required Supplementary Information
Other Postemployment Benefit Plans
Schedule Of Employer Contributions
(Unaudited)

OPEB Fund/Plan	Year Ended 6/30	Annual Required Contribution *	Percentage Contributed
State Employees' Postemployment Benefit Trust Fund			
	2010	$ 57,998,078	38.84%
	2009	58,994,051	33.72%
	2008	47,284,903	37.59%
	2007	40,874,365	0.00%
Postemployment Benefits for State Teachers Retirement System			
	2010	$ 58,966,227	0.00%
	2009	59,791,692	0.00%
	2008	60,220,989	0.00%

***** Determined on a pay-as-you-go-basis

STATE OF VERMONT
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Based)	Over (Under)
Revenues:				
Taxes	$ 995,470,000	$ 1,000,000,000	$ 1,006,702,011	$ 6,702,011
Earnings of Departments	19,600,000	18,600,000	19,235,721	635,721
Other	9,500,000	12,300,000	12,433,046	133,046
Total revenues	**1,024,570,000**	**1,030,900,000**	**1,038,370,778**	**7,470,778**
Expenditures:				
General Government				
Agency of Administration	43,927,480	42,735,870	35,817,620	(6,918,250)
Executive Office	1,410,315	1,356,427	1,352,478	(3,949)
Legislative Council	10,583,996	11,030,252	10,302,480	(727,772)
Joint Fiscal Office	1,509,197	1,531,094	1,273,962	(257,132)
Sergeant at Arms	609,517	654,626	512,186	(142,440)
Lieutenant Governor's Office	163,634	165,771	151,894	(13,877)
Auditor of Accounts	437,938	442,642	442,544	(98)
State Treasurer	1,236,815	2,396,396	2,121,571	(274,825)
State Labor Relations Board	198,260	196,044	194,515	(1,529)
VOSHA Review Board	23,905	26,082	18,656	(7,426)
Homeowner Property Tax Assistance	13,725,647	13,725,722	13,463,171	(262,551)
Renter Rebate Tax Assistance	2,543,008	2,543,008	2,540,939	(2,069)
Protection to Persons and Property				-
Attorney General	5,099,473	4,964,216	4,863,885	(100,331)
Defender General	10,964,288	10,960,224	10,725,885	(234,339)
Judiciary	31,702,537	30,994,271	30,969,201	(25,070)
State's Attorneys & Sheriffs	13,187,370	13,274,310	12,615,004	(659,306)
Department of Public Safety	20,948,605	11,956,246	11,870,387	(85,859)
Military Department	3,340,462	3,193,377	3,119,586	(73,791)
Center Crime Victim Services	1,119,233	1,156,598	1,156,598	-
Criminal Justice Training Council	1,453,753	1,497,431	1,439,862	(57,569)
Agency of Agricultural, Food, and Markets	5,434,375	6,437,276	5,120,729	(1,316,547)
Secretary of State	1,710,918	1,644,271	1,624,588	(19,683)
Human Rights Commission	273,219	287,163	263,993	(23,170)
Human Services				-
Agency of Human Services	440,372,203	443,551,507	432,875,049	(10,676,458)
Governor's Commission on Women	286,905	291,920	284,598	(7,322)
Human Services Board	51,912	120,390	120,390	-
Labor				-
Department of Labor	2,590,569	2,920,947	2,559,416	(361,531)
General Education				-
Department of Education	11,407,559	9,159,401	8,375,903	(783,498)
State Teachers' Retirement	40,228,002	40,228,002	40,228,002	-
Higher Education	91,567,685	93,270,754	93,050,744	(220,010)

Continued on next page ——>

STATE OF VERMONT
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Based)	Over (Under)
Expenditures:				
Natural Resources				-
Agency of Natural Resources	22,016,793	22,998,260	20,809,147	(2,189,113)
Natural Resources Board	816,942	793,083	793,083	-
Commerce and Community Development				-
Agency of Commerce & Community Development	13,478,641	16,356,282	12,622,611	(3,733,671)
Cultural Development	1,589,767	1,589,767	1,589,767	-
Vermont Economic Development Authority	-	8,750,000	5,900,000	(2,850,000)
Vermont Agricultural Credit Corporation	-	-	-	-
Vermont Housing and Conservation Board	-	1,700,000	947,969	(752,031)
Vermont Housing Finance Authority	-	-	-	-
Transportation				-
Agency of Transportation	-	183,993	51,983	(132,010)
Debt service				-
Principal and Interest	65,920,712	65,241,180	64,691,179	(550,001)
Total expenditures	**861,931,635**	**870,324,803**	**836,861,575**	**(33,463,228)**
Excess of revenues over expenditures	**162,638,365**	**160,575,197**	**201,509,203**	**40,934,006**
Other Financing Sources (Uses):				
Transfers in	17,340,971	36,080,408	36,080,408	-
Transfers out	(244,214,024)	(253,213,962)	(253,213,962)	-
Premium on sale of bonds	-	1,457,288	1,457,288	-
Refunding bonds issued	-	42,232,102	42,232,102	
Payment to escrow agent	-	(42,229,514)	(42,229,514)	
Total other financing uses	**(226,873,053)**	**(215,673,678)**	**(215,673,678)**	**-**
Excess of revenues and other sources over (under) expenditures and other uses	**(64,234,688)**	**(55,098,481)**	**(14,164,475)**	**40,934,006**
Fund balance, July 1	**121,985,988**	**121,985,988**	**121,985,988**	**-**
Fund balance, June 30	**$ 57,751,300**	**$ 66,887,507**	**$ 107,821,513**	**$ 40,934,006**

The accompanying notes are an integral part of the required supplementary information.

STATE OF VERMONT
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
TRANSPORTATION FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Based)	Over (Under)
Revenues:				
Taxes	$ 133,500,000	$ 131,620,000	$123,893,092	$ (7,726,908)
Motor Vehicle Fees	73,500,000	72,100,000	72,513,334	413,334
Federal	227,842,664	229,393,725	177,664,862	(51,728,863)
Other	20,400,000	33,800,000	39,333,474	5,533,474
Total revenues	**455,242,664**	**466,913,725**	**413,404,762**	**(53,508,963)**
Expenditures:				
General Government				
Sergeant at Arms	-	639	-	(639)
Protection to Persons and Property				-
Department of Public Safety	28,352,807	28,405,270	25,759,835	(2,645,435)
Transportation				-
Agency of Transportation	418,036,116	437,992,169	375,233,167	(62,759,002)
Debt service				-
Principal and Interest	3,560,515	3,555,777	3,555,777	-
Total expenditures	**449,949,438**	**469,953,855**	**404,548,779**	**(65,405,076)**
Excess of revenues over (under) expenditures	**5,293,226**	**(3,040,130)**	**8,855,983**	**11,896,113**
Other Financing Sources Uses:				
Transfers out	(3,046,705)	(5,006,785)	(5,006,785)	-
Total other financing uses	**(3,046,705)**	**(5,006,785)**	**(5,006,785)**	**-**
Excess of revenues and over (under) expenditures and other uses	**2,246,521**	**(8,046,915)**	**3,849,198**	**11,896,113**
Fund balance, July 1	**8,526,484**	**8,526,484**	**8,526,484**	**-**
Fund (deficit)balance, June 30	**$ 10,773,005**	**$ 479,569**	**$ 12,375,682**	**$ 11,896,113**

The accompanying notes are an integral part of the required supplementary information.

STATE OF VERMONT
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
EDUCATION FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Based)	Over (Under)
Revenues:				
Taxes	$ 875,676,038	$ 1,034,952,309	$ 1,038,808,911	$ 3,856,602
Interest & premiums	(200,000)	100,000	101,796	1,796
Total revenues	**875,476,038**	**1,035,052,309**	**1,038,910,707**	**3,858,398**
Expenditures:				
General government				
Grand List	3,470,000	3,494,658	3,433,131	(61,527)
Renter Rebates	5,933,687	6,226,082	5,488,491	(737,591)
General education				-
Department of Education	1,304,222,835	1,305,007,282	1,297,564,028	(7,443,254)
Total expenditures	**1,313,626,522**	**1,314,728,022**	**1,306,485,650**	**(8,242,372)**
Excess of expenditures over revenues	**(438,150,484)**	**(279,675,713)**	**(267,574,943)**	**12,100,770**
Other Financing Sources:				
Transfers in	260,303,945	269,265,871	269,265,871	-
Total other financing sources	**260,303,945**	**269,265,871**	**269,265,871**	**-**
Excess of revenues and other sources over (under) expenditures	**(177,846,539)**	**(10,409,842)**	**1,690,928**	**12,100,770**
Fund balance, July 1	**42,051,554**	**42,051,554**	**42,051,554**	**-**
Fund (deficit) balance, June 30	**$ (135,794,985)**	**$ 31,641,712**	**$ 43,742,482**	**$ 12,100,770**

The accompanying notes are an integral part of the required supplementary information.

STATE OF VERMONT
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
SPECIAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Based)	Over (Under)
Revenues:				
Special Fund Revenues	$ 195,423,274	$ 206,269,652	$ 263,058,010	$ 56,788,358
Total revenues	**195,423,274**	**206,269,652**	**263,058,010**	**56,788,358**
Expenditures:				
General government				
Agency of Administration	15,311,762	21,623,473	17,293,425	(4,330,048)
Executive Office	193,500	193,500	193,500	-
Joint Fiscal Office	-	681,856	14,638	(667,218)
Legislative Council	-	46,500	24,089	(22,411)
Auditor of Accounts	51,709	51,709	51,709	-
Sergeant At Arms	-	3,310	1,112	(2,198)
Treasurer's Office	1,590,214	2,491,080	2,395,979	(95,101)
State Labor Relations Board	5,723	11,857	10,314	(1,543)
VOSHA Review Board	23,907	23,907	18,655	(5,252)
Unorganized Towns & Gores	-	240,000	168,677	(71,323)
Protection to persons and property				-
Attorney General	3,156,086	4,705,250	3,788,370	(916,880)
Defender General	626,569	631,723	572,780	(58,943)
Judiciary	5,811,025	6,074,511	4,341,495	(1,733,016)
State's Attorneys & Sheriffs	2,198,823	2,441,858	2,074,900	(366,958)
Department of Public Safety	13,085,329	29,901,478	27,927,029	(1,974,449)
Military Department	83,529	98,529	98,529	-
Center of Crime Victim's Services	5,201,380	5,531,596	5,297,141	(234,455)
Criminal Justice Training Council	534,343	990,155	737,938	(252,217)
Agency of Agriculture, Food & Markets	7,576,825	8,356,303	6,949,491	(1,406,812)
Banking, Insurance, Securities, and				-
Health Care Administration	13,560,980	13,299,483	12,025,102	(1,274,381)
Secretary of State	4,816,524	5,422,248	4,839,952	(582,296)
Public Service Department	45,238,098	17,899,156	14,219,711	(3,679,445)
Public Service Board	2,875,286	2,809,070	2,740,947	(68,123)
Enhanced 911 Board	5,487,045	5,491,005	5,151,968	(339,037)
Department of Liquor Control	243,000	370,921	365,194	(5,727)
Human Rights Commission	-	35,735	17,419	(18,316)
Human services				-
Agency of Human Services	64,937,029	77,835,598	68,765,666	(9,069,932)
Governor's Commission on Women	5,000	7,430	2,430	(5,000)
Human Services Board	157,175	87,679	87,676	(3)
Vermont Veterans Home	10,931,473	12,212,989	10,686,284	(1,526,705)
Labor				-
Department of Labor	7,473,066	9,430,241	6,336,123	(3,094,118)
General education				-
Department of Education	16,453,767	55,107,214	52,309,048	(2,798,166)
Higher Education	1,048,250	1,048,250	1,048,250	-

Continued on next page ——>

STATE OF VERMONT
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
SPECIAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Based)	Over (Under)
Expenditures:				
Natural resources				-
Agency of Natural Resources	28,763,614	32,928,802	28,807,360	(4,121,442)
Natural Resources Board	1,789,672	1,929,735	1,874,113	(55,622)
Commerce and community development				-
Agency of Commerce & Community Development	4,834,698	8,383,884	5,747,595	(2,636,289)
Cultural Development	-	70,000	70,000	-
Transportation				-
Agency of Transportation	100,000	929,714	838,702	(91,012)
Public service enterprises				-
Public Service Department	20,000	6,020,000	2,552,909	(3,467,091)
Debt service				-
Principal and Interest	2,499,715	2,499,715	2,499,715	-
Total Expenditures	**266,685,116**	**337,917,464**	**292,945,935**	**(44,971,529)**
Excess of expenditures over revenues	**(71,261,842)**	**(131,647,812)**	**(29,887,925)**	**101,759,887**
Other Financing Sources (Uses):				
Proceeds on Sale of Refunding Bond	-	301,196	301,196	-
Transfers in	52,741,838	54,780,355	54,780,355	-
Transfers out	(19,233,762)	(22,944,205)	(22,944,205)	-
Total other financing sources	**33,508,076**	**32,137,346**	**32,137,346**	**-**
Excess of revenues and other sources over (under) expenditures and other uses	**(37,753,766)**	**(99,510,466)**	**2,249,421**	**101,759,887**
Fund balance, July 1	**72,208,814**	**72,208,814**	**72,208,814**	**-**
Fund balance, June 30	**$ 34,455,048**	**$ (27,301,652)**	**$ 74,458,235**	**$ 101,759,887**

The accompanying notes are an integral part of the required supplementary information.

STATE OF VERMONT
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
FEDERAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Based)	Over (Under)
Revenues:				
Federal	$ 1,216,650,562	$ 1,202,749,502	$1,268,804,028	$ 66,054,526
Interest and premiums	-	66,426	66,426	-
Other	-	-	859	859
Total revenues	**1,216,650,562**	**1,202,815,928**	**1,268,871,313**	**66,055,385**
Expenditures:				
General Government				
Agency of Administration	855,215	1,079,270	887,108	(192,162)
Executive Office	-	-	-	-
State Treasurer	-	364,183	364,183	-
Protection to Persons and Property				-
Attorney General	677,526	677,526	610,426	(67,100)
Judiciary	546,919	1,087,439	469,963	(617,476)
State's Attorneys & Sheriffs	31,000	91,587	38,007	(53,580)
Criminal Justice Training Council	-	13,516	1,540	
Department of Public Safety	17,810,979	23,816,570	18,251,477	(5,565,093)
Military Department	18,673,591	18,534,448	14,605,923	(3,928,525)
Center of Crime Victim Services	3,852,951	3,852,951	3,751,265	(101,686)
Agency of Agriculture, Food & Markets	1,470,435	2,061,939	1,858,310	(203,629)
Secretary of State	2,000,000	2,000,237	687,767	(1,312,470)
Pubic Service Department	1,157,800	1,157,800	334,750	(823,050)
Human Rights Commission	170,739	170,739	142,342	(28,397)
Human Services				-
Agency of Human Services	980,924,868	1,011,330,344	967,165,288	(44,165,056)
Human Services Board	157,174	157,174	100,320	(56,854)
Agency of Administration	-	875,120	875,120	-
Vermont Veteran's Home	6,490,125	6,490,125	6,490,125	-
Labor				-
Department of Labor	21,198,676	21,222,132	18,951,340	(2,270,792)
General Education				-
Department of Education	122,175,933	122,579,816	118,348,605	(4,231,211)
Natural Resources				-
Agency of Natural Resources	14,715,898	31,563,431	24,243,527	(7,319,904)
Commerce and Community Development				-
Agency of Commerce & Community Development	23,741,457	35,380,959	16,394,446	(18,986,513)
Total expenditures	**1,216,651,286**	**1,284,507,306**	**1,194,571,832**	**(89,923,498)**
Excess of revenues over (under) expenditures	**(724)**	**(81,691,378)**	**74,299,481**	**155,978,883**
Other Financing Uses:				
Transfers out	(20,396,060)	(22,296,060)	(22,296,060)	-
Total other financing uses	**(20,396,060)**	**(22,296,060)**	**(22,296,060)**	**-**
Excess of revenues over (under) expenditures and other uses	**(20,396,784)**	**(103,987,438)**	**52,003,421**	**155,978,883**
Fund balance, July 1	**(6,376,360)**	**(6,376,360)**	**(6,376,360)**	**-**
Fund (deficit) balance, June 30	**$ (26,773,144)**	**$ (110,363,798)**	**$ 45,627,061**	**$ 155,978,883**

The accompanying notes are an integral part of the required supplementary information.

STATE OF VERMONT
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
GLOBAL COMMITMENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Based)	Over (Under)
Revenues:				
Global Commitment Premiums	$1,013,800,000	$1,013,800,000	$1,010,079,078	$ (3,720,922)
Total revenues	**1,013,800,000**	**1,013,800,000**	**1,010,079,078**	**(3,720,922)**
Expenditures:				
General Government				
Agency of Administration	527,893	188,393	179,284	(9,109)
Protection to Persons and Property				
Banking, Insurance, Securities, and Health Care Administration	1,898,824	1,898,824	1,713,959	(184,865)
Human Services				
Agency of Human Services	956,972,250	958,483,028	940,140,119	(18,342,909)
Vermont Veteran's Home	837,225	837,225	837,225	-
General Education				
Higher Education	4,411,563	4,411,563	4,411,559	(4)
Deparment of Education	1,088,212	1,032,320	997,795	(34,525)
Total expenditures	**965,735,967**	**966,851,353**	**948,279,941**	**(18,571,412)**
Excess of revenues over expenditures	**48,064,033**	**46,948,647**	**61,799,137**	**14,850,490**
Other Financing Uses:				
Transfers out	(24,965,623)	(24,965,623)	(24,965,623)	-
Total other financing uses	**(24,965,623)**	**(24,965,623)**	**(24,965,623)**	**-**
Excess of revenues over expenditures and other uses	**23,098,410**	**21,983,024**	**36,833,514**	**14,850,490**
Fund balance, July 1	**25,026,757**	**25,026,757**	**25,026,757**	**-**
Fund balance, June 30	**$ 48,125,167**	**$ 47,009,781**	**$ 61,860,271**	**$ 14,850,490**

The accompanying notes are an integral part of the required supplementary information.

STATE OF VERMONT
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
AMERICAN RECOVERY AND REINVESTMENT ACT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Based)	Over (Under)
Revenues:				
Federal	$ 373,400,000	$ 372,600,000	$ 325,454,219	$ (47,145,781)
Total revenues	**373,400,000**	**372,600,000**	**325,454,219**	**(47,145,781)**
Expenditures:				
General Government				
Agency of Administration	-	47,156,646	44,888,127	(2,268,519)
Protection to Persons & Property				
Department of Public Safety	7,461,782	12,494,013	9,108,056	(3,385,957)
Military	-	3,593,000	1,271,801	(2,321,199)
Center for Crime Victim Services	797,067	797,067	611,652	(185,415)
Public Service Department	31,592,500	31,592,500	367,787	(31,224,713)
Public Service Board	-	139,485	31,508	(107,977)
Human Services				
Agency of Human Services	162,975,537	172,998,768	164,036,651	(8,962,117)
Labor				
Department of Labor	8,668,753	9,684,755	7,529,634	(2,155,121)
General Education				
Department of Education	38,575,036	26,410,412	26,293,502	(116,910)
Natural Resources				
Agency of Natural Resources	-	27,664,340	22,223,926	(5,440,414)
Commerce and Community Development				
Agency of Commerce & Community Development	6,082,000	2,444,000	936,166	(1,507,834)
Transportation				
Agency of Transportation	117,197,648	132,936,756	69,105,202	(63,831,554)
Total expenditures	**373,350,323**	**467,911,742**	**346,404,012**	**(121,507,730)**
Excess of revenues over (under) expenditures	**49,677**	**(95,311,742)**	**(20,949,793)**	**74,361,949**
Other Financing Uses:				
Transfers out	-	(1,100,000)	(1,100,000)	-
Total other financing uses	**-**	**(1,100,000)**	**(1,100,000)**	**-**
Excess of revenues over (under) expenditures and other uses	49,677	(96,411,742)	(22,049,793)	74,361,949
Fund balance, July 1	**(5,348,036)**	**(5,348,036)**	**(5,348,036)**	**-**
Fund (deficit) balance, June 30	**$ (5,298,359)**	**$ (101,759,778)**	**$ (27,397,829)**	**$ 74,361,949**

The accompanying notes are an integral part of the required supplementary information.

STATE OF VERMONT
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
STATE HEALTH CARE RESOURCES FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Based)	Over (Under)
Revenues:				
State Health Care Resources Fund Revenues	$ 155,100,000	$ 155,100,000	$ 158,188,440	$ 3,088,440
Total revenues	**155,100,000**	**155,100,000**	**158,188,440**	**3,088,440**
Expenditures:				
Human services				
Agency of Human Services	156,955,519	152,851,462	152,851,462	-
Total expenditures	**156,955,519**	**152,851,462**	**152,851,462**	**-**
Excess of revenues over (under) expenditures	**(1,855,519)**	**2,248,538**	**5,336,978**	**3,088,440**
Fund balance (deficit), July 1	**(1,432,524)**	**(1,432,524)**	**(1,432,524)**	**-**
Fund balance (deficit), June 30	**$ (3,288,043)**	**$ 816,014**	**$ 3,904,454**	**$ 3,088,440**

The accompanying notes are an integral part of the required supplementary information.

STATE OF VERMONT
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
TOBACCO TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Based)	Over (Under)
Revenues:				
Tobacco Trust Funds Revenue	$ 43,461,075	$ 43,476,641	$ 39,250,565	$ (4,226,076)
Total revenues	**43,461,075**	**43,476,641**	**39,250,565**	**(4,226,076)**
Expenditures:				
General government				
Agency of Administration	58,000	58,000	58,000	-
Protection to persons and property				
Attorney General	405,000	405,000	376,952	(28,048)
Judiciary	39,112	39,112	39,112	-
Department of Liquor Control	296,306	296,306	296,235	(71)
Human services				
Agency of Human Services	41,673,740	41,684,340	41,610,315	(74,025)
General education				
Department of Education	988,917	993,883	899,401	(94,482)
Total expenditures	**43,461,075**	**43,476,641**	**43,280,015**	**(196,626)**
Excess of expenditures over revenues	**-**	**-**	**(4,029,450)**	**(4,029,450)**
Fund balance, July 1	**26,567,174**	**26,567,174**	**26,567,174**	-
Fund balance, June 30	**$ 26,567,174**	**$ 26,567,174**	**$ 22,537,724**	**$ (4,029,450)**

The accompanying notes are an integral part of the required supplementary information.

STATE OF VERMONT
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
CATAMOUNT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Based)	Over (Under)
Revenues:				
Catamount Fund Revenues	$ 21,300,000	$ 21,300,000	$ 21,568,433	$ 268,433
Total revenues	**21,300,000**	**21,300,000**	**21,568,433**	**268,433**
Expenditures:				
Human services				
Agency of Human Services	26,814,529	27,895,990	27,376,559	(519,431)
Employment & Training				
Department of Labor	394,072	394,072	394,071	(1)
Total expenditures	**27,208,601**	**28,290,062**	**27,770,630**	**(519,432)**
Excess of expenditures over revenues	**(5,908,601)**	**(6,990,062)**	**(6,202,197)**	**787,865**
Fund balance, July 1	**7,083,883**	**7,083,883**	**7,083,883**	**-**
Fund balance, June 30	**$ 1,175,282**	**$ 93,821**	**$ 881,686**	**$ 787,865**

The accompanying notes are an integral part of the required supplementary information.

Note to the Required Supplementary Information—Budgetary Reporting
(unaudited)

Budgetary Process
Vermont statutes require the head of every State department, board, and commission and any officer or individual responsible for any activity for which funds are appropriated by the Vermont Legislature to provide, on or before September 1 preceding any biennium, statements to the Commissioner of Finance and Management showing in detail the amounts appropriated and expended for both the current and preceding fiscal years and the amount estimated to be necessary for similar activity for the ensuing two fiscal years. The Commissioner of Finance and Management and the Secretary of Administration are then required to submit to the Governor by November 15 preceding each biennium, the estimates as received along with any other estimates for the ensuing two fiscal years. The Governor then submits to the Vermont Legislature, no later than the third Tuesday of every annual session, a budget that embodies estimates, requests, and recommendations for appropriations or other authorizations for expenditures from the State treasury for at least the succeeding fiscal year. The Vermont Legislature then enacts into law an appropriations act that must be approved by the Governor before expenditures can be made. In recent years in accordance with Act 250 of 1979 Section 125, it has been the practice of the Governor to submit an annual budget and the Vermont Legislature to enact appropriations on an annual basis.

Budgets are prepared and appropriated on a cash basis usually at the program level. The Governor may amend appropriations or transfer appropriations within limits established by 32 V.S.A. Chapter 9. The Agency of Administration maintains budgetary control by fund at the appropriation level. Governmental funds' unspent appropriation balances revert to the fund balance at the end of each fiscal year for re-appropriation unless authorized to be carried forward to the following year(s) by legislative act. Unexpended balances of capital projects funds are available for expenditure in the following fiscal year(s).

Budgetary Funds
Vermont's annual Appropriation Act, the State's legally adopted budget, does not present budgets using the same fund structure as what is used for reporting in accordance with accounting principles generally accepted in the United States of America (GAAP). The GAAP basis Special Fund is represented in the Appropriation Act as program-level budgets for the Special, State Health Care Resources, Tobacco Trust and Catamount Funds. These funds are present separately in the accompanying schedules. The budgetary basis American Recovery and Reinvestment Act Fund includes certain portions of the GAAP basis Transportation and Federal Revenue Funds. These funds are presented on a budgetary basis in the accompanying schedules.

Revenue Estimates
By July 31 each year, the Joint Fiscal Office and the Secretary of Administration provide to the Emergency Board their respective estimates of State revenues in the General, Transportation, Education, Catamount, State Health Care Resources, and Global Commitment Funds. The Emergency Board then has 10 days to determine the original revenue estimates for the fiscal year. For the Special, Federal Revenue, and American Recovery and Reinvestment Act Funds, the original budget for revenues is based on the amount appropriated for expenditures. By January 15, the Joint Fiscal Office and the Secretary of Administration provide to the Emergency Board their respective estimates of State revenues and the Emergency Board determines any revision to the July revenue estimates. During fiscal year 2009, the Joint Fiscal Office and the Secretary of Administration provided the Emergency Board with their respective revised revenue estimate in November 2008 and April 2009 due to the rapid changes in current economic conditions.

Expenditure and Transfer Budgets
The original budgets for expenditures and transfers are determined by the Legislature through the passage of the annual Appropriation Act. The Secretary of Administration (with approval from the Governor) may transfer balances of appropriations not to exceed $50,000 made under any appropriation act for the support of the government from one component of an agency, department, or other unit of State government, to any component of the same agency, department, or unit; and may transfer balances of appropriations made under any appropriation act from one department or unit of the agency of transportation to another department or unit of the agency of transportation for the specific purpose of funding authorized transportation projects which have

been approved by the federal government for advance construction in which the expenditure of State funds will be reimbursed by federal funds when the federal funds become available, and the transfer is limited to funds which have been approved for reimbursement. If any receipts including federal receipts exceed the appropriated amounts, the receipts may be allocated and expended, subject to the approval of the Secretary of Administration. If, however, the expenditure of those receipts will establish or increase the scope of the program, which establishment or increase will at any time commit the State to the expenditure of State funds, they may be expended only upon the approval of the Legislature.

Budget and GAAP Basis Reporting

The accompanying budgetary comparison schedules report the actual revenues, expenditures and other financing sources (uses) on a budget basis, which differs significantly from GAAP. These different accounting principles result in basis, perspective, and entity differences in the fund balance—budgetary basis. *Basis differences* arise because the basis of budgeting (cash basis) differs from the GAAP basis used to prepare the statement of revenues, expenditures, and changes in fund balances—governmental funds. *Perspective differences* result because the Appropriation Act's program-oriented structure differs from the fund structure required for GAAP. *Entity differences* arise because certain activity reported within the State's financial reporting entity for GAAP purposes is excluded from the Appropriation Act. The following presents a reconciliation of the budgetary basis and GAAP basis fund balances for the funds reported in the accompanying schedules for the fiscal year ended June 30, 2010.

	General Fund	Transportation Fund	Education Fund	Federal Revenue Fund	Global Commitment Fund	ARRA Fund
Fund Balance - Budgetary Basis....	$ 107,821,513	$ 12,375,682	$ 43,742,482	$ 45,627,061	$ 61,860,271	$ (27,397,829)
Basis differences:						
Cash not in budget balances.....	109,870	(28)	108	1,425	-	37,505
Taxes receivable.....	165,048,651	9,632,029	14,199,824	-	-	-
Notes and loan receivable.....	587,249	-	-		-	-
Other receivables.....	6,502,686	9,427,998	929,656	620,579	32,752,923	324,310
Interest receivable.....	-	-	-	25,966	-	-
Due from other funds.....	747,793	10,999	-	786,591	1,555	-
Due from federal government.....	819,760	32,981,365	-	68,742,347	-	18,320,158
Due from component units.....	-	-	-	-	-	-
Accounts payable.....	(17,144,561)	(25,082,967)	(8,719,302)	(31,380,791)	(73,909,465)	(7,125,972)
Accrued liablilities.....	(16,549,052)	(7,959,465)	-	(7,222,185)	(3,227,351)	(77,193)
Retainage payable.....	(4,031)	(367,606)	-	(172,629)	(436,683)	(241,018)
Deferred revenue.....	(99,261,643)	(11,288,967)	(3,661,562)	(9,962,342)	(14,917,881)	(823,108)
Tax refunds payable.....	(6,961,463)	-	(30,243)	-	-	-
Intergovernment Payables.....		(45,490)		(7,042,340)		(281,622)
Due to other funds.....	(1,302,347)	(9,905)	(15,724)	(745,533)	(23,634)	(84,327)
Due to component units.....	(752,031)	-	-	-	-	
Entity differences:						
Blended non-budgeted funds.....	-	3,020,967	-	59,632,311	-	-
Perspective differences:						
Component unit include in budgeted funds.....	-	-	-	4,016,496	-	-
Budgeted funds reclassified to GAAP basis major governmental fund.....	-	(3,531,312)	-	(13,817,784)	-	17,349,096
Fund Balance - GAAP Basis.....	$ 139,662,394	$ 19,163,300	$ 46,445,239	$ 109,109,172	$ 2,099,735	$ -

	Budget Basis Funds				GAAP Basis
	Special Fund	State Health Care Resource Fund	Tobacco Trust Fund	Catamount Fund	Special Fund
Fund Balance - Budgetary Basis....	$ 74,458,235	$ 3,904,454	$ 22,537,724	$ 881,686	$ -
Basis differences:					
Cash not in budget balances.....	1,574,947	-	-	-	1,574,947
Preferred stock investment.....	100,000	-	-	-	100,000
Taxes receivable.....	2,532,816	968,557	-	-	3,501,373
Notes and loans receivable.....	1,207,378	-	-	-	1,207,378
Other receivables.....	13,189,807	3,763	-	2,044	13,195,614
Due from other funds.....	1,168,546	720	-	-	1,169,266
Due from component units.....	35,827	-	-	-	35,827
Accounts payable.....	(10,390,159)	(242)	(256,209)	(2,321)	(10,648,931)
Accrued liablilities.....	(4,921,562)	-	(40,801)	(122)	(4,962,485)
Retainage payable.....	(4,079)	-	-	-	(4,079)
Deferred revenue.....	(11,295,288)	(151,629)	-	-	(11,446,917)
Tax refunds payable.....	(2,763)	(87,100)	-	-	(89,863)
Due to other funds.....	(424,150)	-	-	(133,989)	(558,139)
Entity differences:					
Blended non-budgeted funds.....	12,287,441	-	-	-	12,287,441
Blended component unit.....	273,476	-	-	-	273,476
Perspective differences:					
Component unit included in budgeted funds.....	(6,373,974)	-	-	-	(6,373,974)
Budgeted funds reclassified to GAAP basis major governmental fund.....	(73,416,498.00)	(4,638,523)	(22,240,714)	(747,298)	101,782,099
Fund Balance - GAAP Basis.....	**$ -**	**$ -**	**$ -**	**$ -**	**$ 101,043,033**

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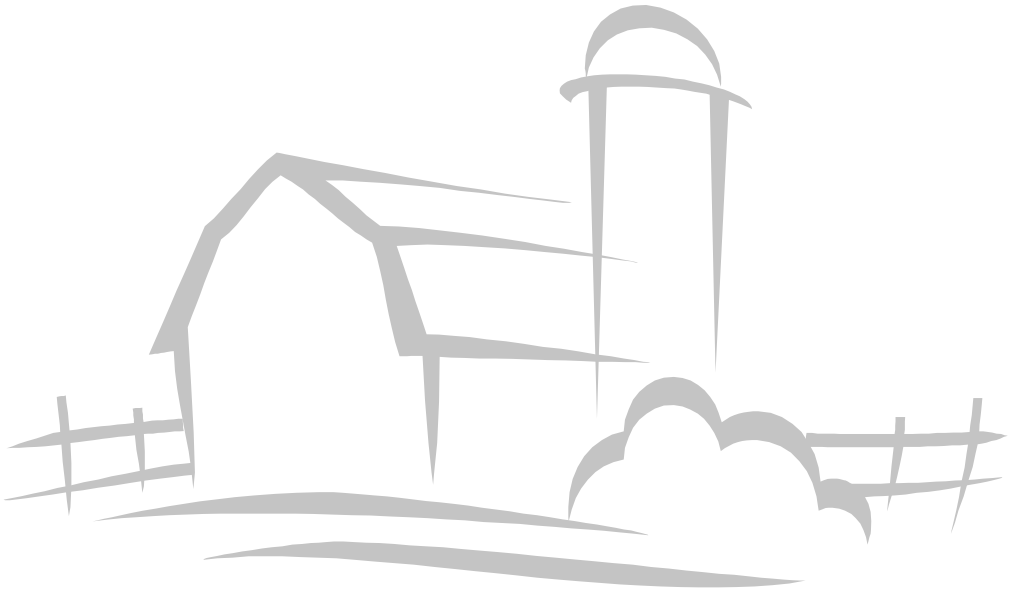

Vermont

Other Supplementary Information

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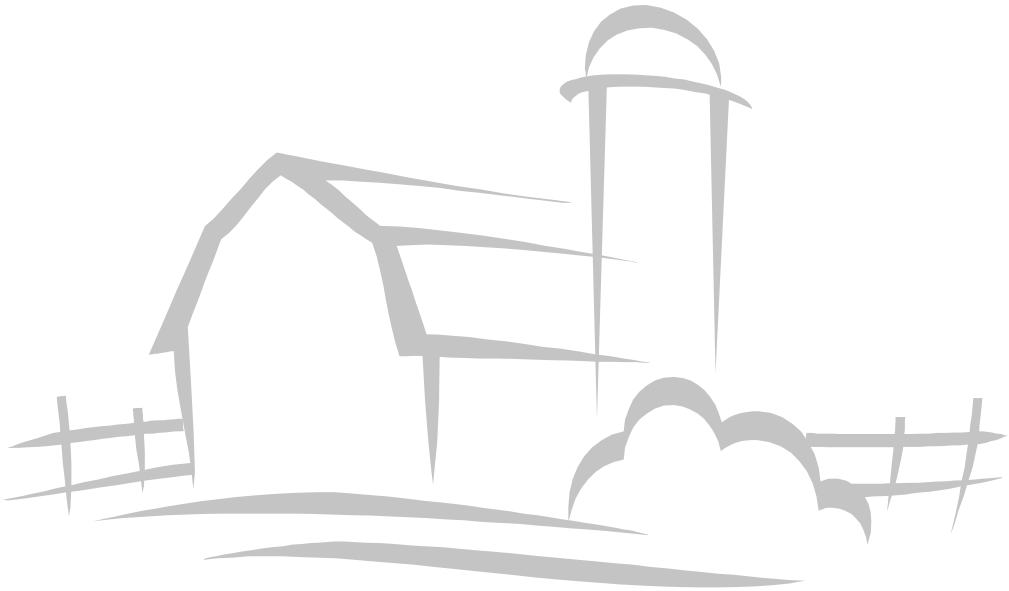

Vermont

COMBINING FINANCIAL STATEMENTS

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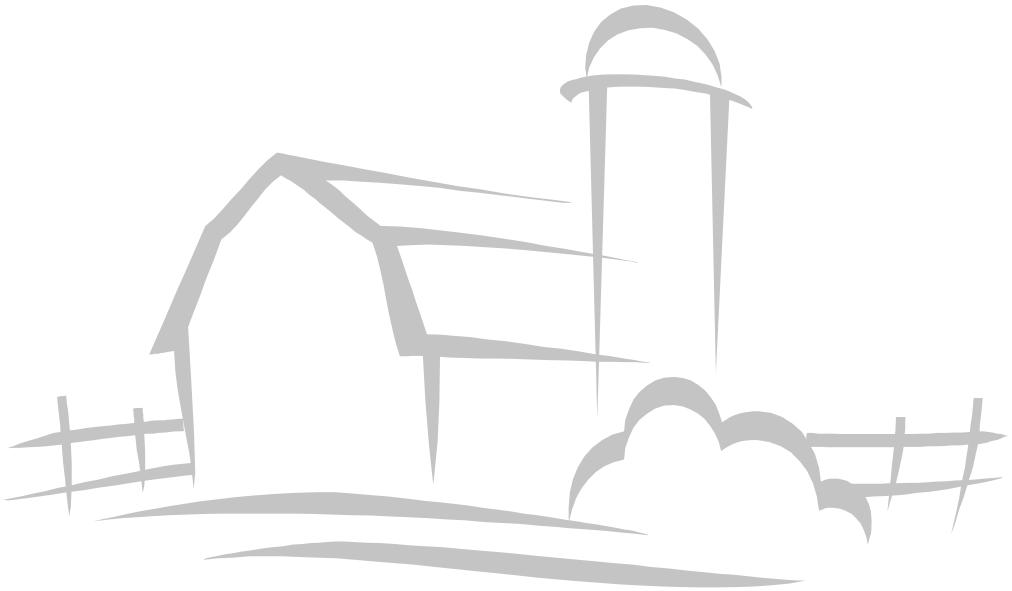

Vermont

Fish & Wildlife Fund – This fund is used to account for the activities of the Fish and Wildlife Department. The Fish and Wildlife Department's mission is to protect and conserve the State's fish, wildlife, plants and their habitats for the people of Vermont.

General Bond Fund – This fund accounts for general capital improvement expenditures funded by the issuance of State capital bonds.

Transportation Bond Fund – This fund accounts for transportation capital improvement expenditures funded by the issuance of State capital bonds.

Higher Education Endowment Fund – This is a permanent fund whose revenue is used by the University of Vermont and Vermont State Colleges to provide non loan financial assistance to Vermont students attending their institutions and by the Vermont Student Assistance Corporation to provide non loan financial assistance to Vermont students attending a Vermont postsecondary institution.

Vermont Sanitorium Fund – This is a permanent fund whose income is to be used for the treatment and cure of respiratory diseases.

Albert C. Lord Trust Fund – This is a permanent fund whose income is to be used for demonstrations, lectures and instruction in the care of woodlots and restoration.

Lumberjack Fund – This is a permanent fund whose income is to strengthen annual workshops for educators interested in enhancing classroom skills in the area of fish and wildlife management.

Couching Lion Farm Cemetery Fund – This is a permanent fund whose income is to provide for the care of a private cemetery in Camel's Hump State Park.

Carrie P. Underwood Fund – This is a permanent fund whose income is to used to provide aid to poor libraries and to otherwise promote the library interests of the State.

Laura H. Morgan Fund— This is a permanent fund whose income is to be used to benefit the Brandon Training School.

Bennington Battle Monument Fund – This is a permanent fund whose revenue is to be used to repair and maintain the Bennington Battle Monument.

Zenus H. Ellis Fund – This is a permanent fund whose income is to be used to maintain the iron fence and flagpole at the Hubbardton battlefield.

STATE OF VERMONT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010

	Special Revenue	Capital Projects	
	Fish & Wildlife Fund	General Bond Fund	Transportation Bond Fund
ASSETS:			
Cash and cash equivalents	$ 2,268,276	$ 36,534,723	$ 6,004
Investments	3,703,074	-	-
Receivables:			
Taxes receivable	99,315	-	-
Other receivables	500,131	-	-
Intergovernmental receivable - federal government	543,293	-	-
Due from other funds	6,710	-	-
Total assets	**$ 7,120,799**	**$ 36,534,723**	**$ 6,004**
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	$ 816,496	$ 3,827,457	$ 224,773
Accrued liabilities	789,974	671	-
Retainage payable	24,408	1,062,239	-
Due to other funds	87,738	5,208	-
Due to component units	-	5,741,905	-
Deferred revenue	11,813	-	-
Total Liabilities	**1,730,429**	**10,637,480**	**224,773**
FUND BALANCES:			
Reserved for:			
Encumbrances	5,358	3,828,832	-
Endowments	-	-	-
Unreserved:			
Special revenue funds	5,385,012	-	-
Capital projects funds (deficit)		22,068,411	(218,769)
Permanent funds		-	-
Total fund balances (deficit)	**5,390,370**	**25,897,243**	**(218,769)**
Total liabilities and fund balances	**$ 7,120,799**	**$ 36,534,723**	**$ 6,004**

See Independent Auditors' Report.

Permanent Funds			
Higher Education Endowment Fund	**Vermont Sanitorium Fund**	**Albert C. Lord Trust Fund**	**Lumberjack Fund**
$ -	$ 73,499	$ 97,822	$ 17,637
19,080,450	250,036	221,842	11,053
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
$ 19,080,450	**$ 323,535**	**$ 319,664**	**$ 28,690**
$ -	$ -	$ -	$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	**-**	**-**	**-**
-	-	-	-
7,000,000	206,502	183,217	9,129
-	-	-	-
-	-	-	-
12,080,450	117,033	136,447	19,561
19,080,450	**323,535**	**319,664**	**28,690**
$ 19,080,450	**$ 323,535**	**$ 319,664**	**$ 28,690**

Continued on next page---->

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STATE OF VERMONT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010

	Permanent Funds		
	Couching Lion Farm Cemetery Fund	Carrie P. Underwood Fund	Laura H. Morgan Fund
ASSETS:			
Cash and cash equivalents	$ 20,710	$ 8,330	$ 1,354
Investments	2,336	13,452	3,027
Receivables:			
Taxes receivable	-	-	-
Other receivables	-	-	-
Intergovernmental receivable - federal government	-	-	-
Due from other funds	-	-	-
Total assets	**$ 23,046**	**$ 21,782**	**$ 4,381**
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	$ -	$ -	$ -
Accrued liabilities	-	-	-
Retainage payable	-	-	-
Due to other funds	-	-	-
Due to component units	-	-	-
Deferred revenue	-	-	-
Total Liabilities	**-**	**-**	**-**
FUND BALANCES:			
Reserved for:			
Encumbrances	-	-	-
Endowments	1,930	11,110	2,500
Unreserved:			
Special revenue funds	-	-	-
Capital projects funds (deficit)	-	-	-
Permanent funds	21,116	10,672	1,881
Total fund balances (deficit)	**23,046**	**21,782**	**4,381**
Total liabilities and fund balances	**$ 23,046**	**$ 21,782**	**$ 4,381**

Permanent Funds		Total Non-major Governmental Funds
Bennington Battle Monument Fund	Zenus H. Ellis Fund	
$ -	$ -	$ 39,028,355
2,163	2,024	23,289,457
-	-	99,315
-	-	500,131
-	-	543,293
-	-	6,710
$ 2,163	**$ 2,024**	**$ 63,467,261**
$ -	$ -	$ 4,868,726
-	-	790,645
-	-	1,086,647
-	-	92,946
-	-	5,741,905
-	-	11,813
-	**-**	**12,592,682**
-	-	3,834,190
1,065	1,000	7,416,453
-	-	5,385,012
-	-	21,849,642
1,098	1,024	12,389,282
2,163	**2,024**	**50,874,579**
$ 2,163	**$ 2,024**	**$ 63,467,261**

STATE OF VERMONT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Special Revenue	Capital Projects	
	Fish & Wildlife Fund	General Bond Fund	Transportation Bond Fund
REVENUES:			
Taxes:			
Motor fuel tax	$ 956,520	$ -	$ -
Earnings of departments:			
Fees	172,521	-	-
Rents and leases	49,378	-	-
Sales of services	3,960	-	-
Federal grants	7,604,718	-	-
Fines, forfeits and penalties	14,076	-	-
Investment income	131,505	-	-
Licenses:			
Business	1,390	-	-
Non-business	6,677,314	-	-
Special assessments	7,751	-	-
Other revenues	795,056	-	-
Total revenues	**16,414,189**	**-**	**-**
EXPENDITURES:			
General government	-	31,927,985	-
Protection to persons and property	-	6,479,155	-
Human services	-	1,661,289	-
General education	-	14,437,368	-
Natural resources	-	4,596,756	-
Commerce and community development	16,827,434	12,340,275	-
Transportation	-	-	2,140,909
Total expenditures	**16,827,434**	**71,442,828**	**2,140,909**
Excess of revenues over (under) expenditures	**(413,245)**	**(71,442,828)**	**(2,140,909)**
Other Financing Sources (Uses):			
Proceeds from the sale of bonds	-	72,000,000	-
Discount on bonds issued	-	(223,508)	-
Transfers in	492,648	2,056,489	-
Transfers out	-	(2,290,549)	-
Total other financing sources	**492,648**	**71,542,432**	**-**
Net change in fund balances	**79,403**	**99,604**	**(2,140,909)**
Fund balances, July 1	**5,310,967**	**25,797,639**	**1,922,140**
Fund balances (deficit), June 30	**$ 5,390,370**	**$ 25,897,243**	**$ (218,769)**

See Independent Auditors' Report.

Permanent Funds			
Higher Education Endowment Fund	Vermont Sanitorium Fund	Albert C. Lord Trust Fund	Lumberjack Fund
$ -	$ -	$ -	$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
1,579,626	21,400	19,054	985
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
1,579,626	**21,400**	**19,054**	**985**
-	-	-	-
-	-	-	-
-	10,000	-	-
1,170,903	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
1,170,903	**10,000**	**-**	**-**
408,723	**11,400**	**19,054**	**985**
-	-	-	-
-	-	-	-
47,471	-	-	-
-	-	-	-
47,471	**-**	**-**	**-**
456,194	**11,400**	**19,054**	**985**
18,624,256	**312,135**	**300,610**	**27,705**
$ 19,080,450	**$ 323,535**	**$ 319,664**	**$ 28,690**

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STATE OF VERMONT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Permanent Funds		
	Couching Lion Farm Cemetery Fund	**Carrie P. Underwood Fund**	**Laura H. Morgan Fund**
REVENUES:			
Taxes:			
Motor fuel tax	$ -	$ -	$ -
Earnings of departments:			
Fees	-	-	-
Rents and leases	-	-	-
Sales of services	-	-	-
Federal grants	-	-	-
Fines, forfeits and penalties	-	-	-
Investment income	256	1,162	260
Licenses:			
Business	-	-	-
Non-business	-	-	-
Special assessments	-	-	-
Other revenues	-	-	-
Total revenues	**256**	**1,162**	**260**
EXPENDITURES:			
General government	-	-	-
Protection to persons and property	-	-	-
Human services	-	-	-
General education	-	-	-
Natural resources	-	-	-
Commerce and community development	-	-	-
Transportation	-	-	-
Total expenditures	**-**	**-**	**-**
Excess of revenues over (under) expenditures	**256**	**1,162**	**260**
Other Financing Sources (Uses):			
Proceeds from the sale of bonds	-	-	-
Discount on bonds issued	-	-	-
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources	**-**	**-**	**-**
Net change in fund balances	**256**	**1,162**	**260**
Fund balances, July 1	**22,790**	**20,620**	**4,121**
Fund balances (deficit), June 30	**$ 23,046**	**$ 21,782**	**$ 4,381**

Permanent Funds			
Bennington Battle Monument Fund	Zenus H. Ellis Fund	Total Non-major Governmental Funds	
$ -	$ -	$ 956,520	
-	-	172,521	
-	-	49,378	
-	-	3,960	
-	-	7,604,718	
-	-	14,076	
183	171	1,754,602	
-	-	1,390	
-	-	6,677,314	
-	-	7,751	
-	-	795,056	
183	**171**	**18,037,286**	
-	-	31,927,985	
-	-	6,479,155	
-	-	1,671,289	
-	-	15,608,271	
-	-	4,596,756	
-	-	29,167,709	
-	-	2,140,909	
-	**-**	**91,592,074**	
183	**171**	**(73,554,788)**	
-	-	72,000,000	
-	-	(223,508)	
-	-	2,596,608	
-	-	(2,290,549)	
-	**-**	**72,082,551**	
183	**171**	**(1,472,237)**	
1,980	**1,853**	**52,346,816**	
$ 2,163	**$ 2,024**	**$ 50,874,579**	

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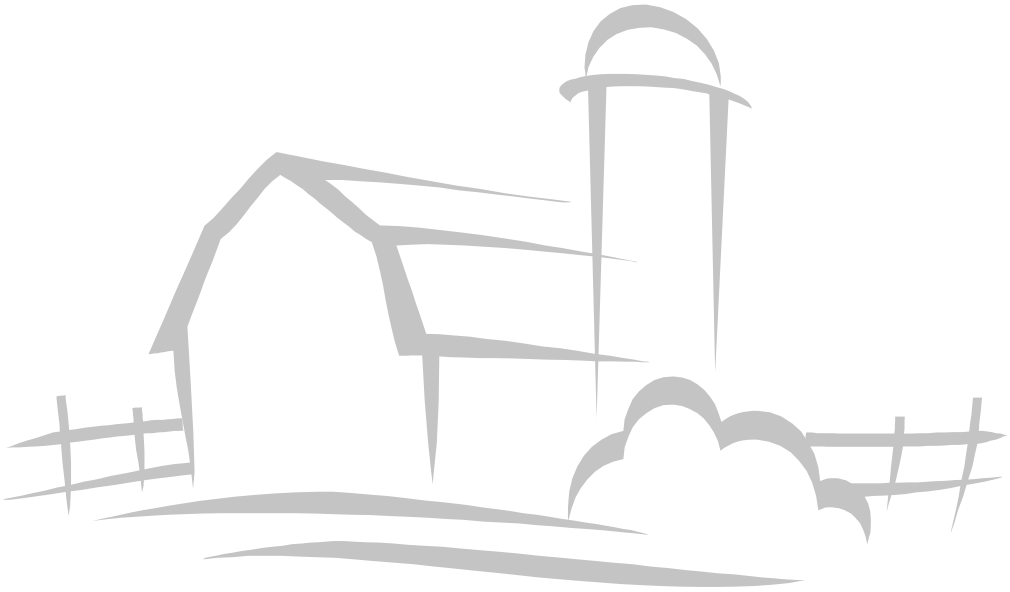

Vermont

Industrial Homework Office Fund – This fund is used to account for a program that arranges industrial work for blind and otherwise handicapped citizens at their home of a subcontract nature.

Federal Surplus Property Fund – This fund is used to account for a program that acquires and distributes surplus property from various military and federal sources. Public entities (towns, schools, districts, volunteer fire departments, etc) and non-profit organizations conducting educational and health care programs may apply for eligibility.

Vermont Life Magazine Fund – This fund is used to account for the activities of the Vermont Life Magazine. *Vermont Life* is a quarterly magazine published by the State of Vermont. It explores and celebrates the state's people, places and rich heritage.

Municipal Equipment Loan Fund – This fund is used to account for a program that was created for the purpose of providing loans on favorable terms to municipalities for the purchase of construction, fire, emergency or heavy equipment or vehicles.

Unemployment Compensation Contingency Fund – This fund is used to account for the interest, fines and penalties collected under the unemployment compensation law as well as the administrative costs not chargeable to federal grants.

STATE OF VERMONT
COMBINING STATEMENT OF NET ASSETS
NON-MAJOR ENTERPRISE FUNDS
JUNE 30, 2010

	Industrial Homework Office Fund	Federal Surplus Property Fund	Vermont Life Magazine Fund
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 76,379	$ -	$ -
Accrued interest receivable	-	-	-
Accounts receivable (net of allowance for uncollectibles)	-	1,200	209,781
Loans receivable	-	-	-
Due from other funds	-	-	-
Inventories, at cost	-	20,904	136,992
Prepaid expenses	-	-	79,480
Total current assets	**76,379**	**22,104**	**426,253**
Restricted and Noncurrent Assets:			
Cash - subscription reserve fund	-	-	539,829
Loans receivable	-	-	-
Accounts receivable - subscriptions	-	-	70,764
Imprest cash and change fund - advances	1,700	-	1,200
Total restricted & noncurrent assets	**1,700**	**-**	**611,793**
Total assets	**78,079**	**22,104**	**1,038,046**
LIABILITIES			
Current Liabilities:			
Accounts payable	-	323	170,767
Accrued salaries and benefits	-	350	85,329
Due to other funds	-	757	-
Interfund payable	-	906,914	819,705
Unearned revenue	-	20,904	39,465
Other liabilities	-	-	157
Total current liabilities assets	**-**	**929,248**	**1,115,423**
Long-term Liabilities:			
Unexpired subscriptions	-	-	539,829
Advances from other funds	1,700	-	1,200
Total long-term liabilities	**1,700**	**-**	**541,029**
Total liabilities	**1,700**	**929,248**	**1,656,452**
NET ASSETS			
Unrestricted (deficit)	76,379	(907,144)	(618,406)
Total net assets	**$ 76,379**	**$ (907,144)**	**$ (618,406)**

See Independent Auditors' Report.

Municipal Equipment Loan Fund	Unemployment Compensation Contingency Fund	Total Non-major Enterprise Funds
$ 286,931	$ 195,774	$ 559,084
16,983	-	16,983
-	-	210,981
853,734	-	853,734
-	35,669	35,669
-	-	157,896
-	-	79,480
1,157,648	**231,443**	**1,913,827**
-	-	539,829
1,899,162	-	1,899,162
-	-	70,764
-	-	2,900
1,899,162	**-**	**2,512,655**
3,056,810	**231,443**	**4,426,482**
-	-	171,090
-	-	85,679
-	-	757
-	-	1,726,619
-	-	60,369
-	-	157
-	**-**	**2,044,671**
-	-	539,829
-	-	2,900
-	**-**	**542,729**
-	**-**	**2,587,400**
3,056,810	231,443	1,839,082
$ 3,056,810	**$ 231,443**	**$ 1,839,082**

STATE OF VERMONT
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
NON-MAJOR ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Industrial Homework Office Fund	Federal Surplus Property Fund	Vermont Life Magazine Fund
Operating Revenues			
Charges for sales and services	$ -	$ 30,008	$ 1,055,698
Federal donated property	-	99,636	-
Advertising revenue	-	-	422,258
Other operating revenues	-	-	78,696
Total operating revenues	**-**	**129,644**	**1,556,652**
Operating Expenses			
Cost of sales and services	-	99,480	431,793
Salaries and benefits	-	58,594	562,660
Insurance premium expense	-	386	2,558
Contractual Services	-	-	282,284
Repairs and maintenance	-	552	836
Rental expense	-	20,215	302
Utilities and property management	-	4,776	19,919
Non-capital equipment purchased	-	1,157	8,548
Promotions and advertising	-	-	102,723
Administrative expenses	-	8,320	14,069
Supplies and parts	-	318	5,564
Distribution and postage	-	13,048	246,637
Travel	-	5	4,352
Loss on bad debts	-	-	13,375
Other operating expenses	-	208	18,499
Total operating expenses	**-**	**207,059**	**1,714,119**
Operating income (loss)	**-**	**(77,415)**	**(157,467)**
Non-Operating Revenues			
Investment income (expense)	-	-	(1,249)
Total non-operating revenues	**-**	**-**	**(1,249)**
Income (loss) before transfers	**-**	**(77,415)**	**(158,716)**
Transfers			
Transfer in	-	-	-
Transfer out	-	-	-
Total transfers in	**-**	**-**	**-**
Changes in net assets	**-**	**(77,415)**	**(158,716)**
Total net assets (deficit), July 1	**76,379**	**(829,729)**	**(459,690)**
Total net assets (deficit), June 30	**$ 76,379**	**$ (907,144)**	**$ (618,406)**

See Independent Auditors' Report.

Municipal Equipment Loan Fund	Unemployment Compensation Contingency Fund	Total Non-major Enterprise Funds
$ -	$ -	$ 1,085,706
-	-	99,636
-	-	422,258
51,688	-	130,384
51,688	**-**	**1,737,984**
-	-	531,273
-	-	621,254
-	-	2,944
-	-	282,284
-	-	1,388
-	-	20,517
-	-	24,695
-	-	9,705
-	-	102,723
-	22,000	44,389
-	-	5,882
-	-	259,685
-	-	4,357
-	-	13,375
-	-	18,707
-	**22,000**	**1,943,178**
51,688	**(22,000)**	**(205,194)**
1,174	2,293	2,218
1,174	**2,293**	**2,218**
52,862	**(19,707)**	**(202,976)**
-	346,325	346,325
-	(325,973)	(325,973)
-	**20,352**	**20,352**
52,862	**645**	**(182,624)**
3,003,948	**230,798**	**2,021,706**
$ 3,056,810	**$ 231,443**	**$ 1,839,082**

STATE OF VERMONT
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Industrial Homework Office Fund	Federal Surplus Property Fund	Vermont Life Magazine Fund
Cash Flows from Operating Activities:			
Cash received from customers	$ 2,377	$ 29,308	$ 1,569,397
Cash paid to suppliers for goods and services	-	(25,980)	(1,090,098)
Cash paid to employees for services	-	(70,568)	(552,817)
Other operating revenues (expenses)	-	(208)	60,197
Net cash provided (used) by operating activities	**2,377**	**(67,448)**	**(13,321)**
Cash Flows from Noncapital Financing Activities:			
Operating/equity transfers	-	-	-
Interfund loans	-	67,448	509
Net cash (used) by noncapital financing activities	**-**	**67,448**	**509**
Cash Flows from Investing Activities:			
Interest earned on investments	-	-	(1,249)
Net cash provided (used) by investing activities	**-**	**-**	**(1,249)**
Net increase (Decrease) in cash and cash equivalents	**2,377**	**-**	**(14,061)**
Cash and cash equivalents at July 1	**75,702**	**-**	**555,090**
Cash and cash equivalents at June 30 (see note below)	**$ 78,079**	**$ -**	**$ 541,029**
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	$ -	$ (77,415)	$ (157,467)
Adjustments to reconcile operating income to Net cash provided (used) by operating activities:			
(Increase) decrease in accounts/taxes receivable	2,377	(700)	147,545
(Increase) decrease in loans receivable	-	-	-
(Increase) decrease in accrued interest receivable	-	-	-
(Increase) decrease in due from other funds	-	37,157	1,715
(Increase) decrease in inventories	-	122,632	(31,596)
(Increase) decrease in prepaid expenses	-	-	53,760
Increase (decrease) in accounts payable	-	(307)	3,871
Increase (decrease) in accrued salaries and benefits	-	(11,974)	9,843
Increase (decrease) in due to other funds	-	(14,209)	-
Increase (decrease) in deferred revenue	-	(122,632)	15,112
Increase (decrease) in subscription reserves	-	-	(56,104)
Total adjustments	**2,377**	**9,967**	**144,146**
Net cash provided (used) by operating activities	**$ 2,377**	**$ (67,448)**	**$ (13,321)**

NOTE: Total cash/cash equivalents at June 30 on the cash flow statement is equal to cash/cash equivalents, cash-subscription reserve fund, and imprest cash on the Statement of Net Assets.

See Independent Auditors' Report.

Municipal Equipment Loan Fund	Unemployment Compensation Contingency Fund	Total Non-major Enterprise Funds
$ 810,962	$ -	$ 2,412,044
(1,001,522)	-	(2,117,600)
-	-	(623,385)
-	(22,000)	37,989
(190,560)	**(22,000)**	**(290,952)**
-	29,905	29,905
-	-	67,957
-	**29,905**	**97,862**
1,174	2,293	2,218
1,174	**2,293**	**2,218**
(189,386)	**10,198**	**(190,872)**
476,317	**185,576**	**1,292,685**
$ 286,931	**$ 195,774**	**$ 1,101,813**
$ 51,688	$ (22,000)	$ (205,194)
-	-	149,222
(242,862)	-	(242,862)
614	-	614
-	-	38,872
-	-	91,036
-	-	53,760
-	-	3,564
-	-	(2,131)
-	-	(14,209)
-	-	(107,520)
-	-	(56,104)
(242,248)	**-**	**(85,758)**
$ (190,560)	**$ (22,000)**	**$ (290,952)**

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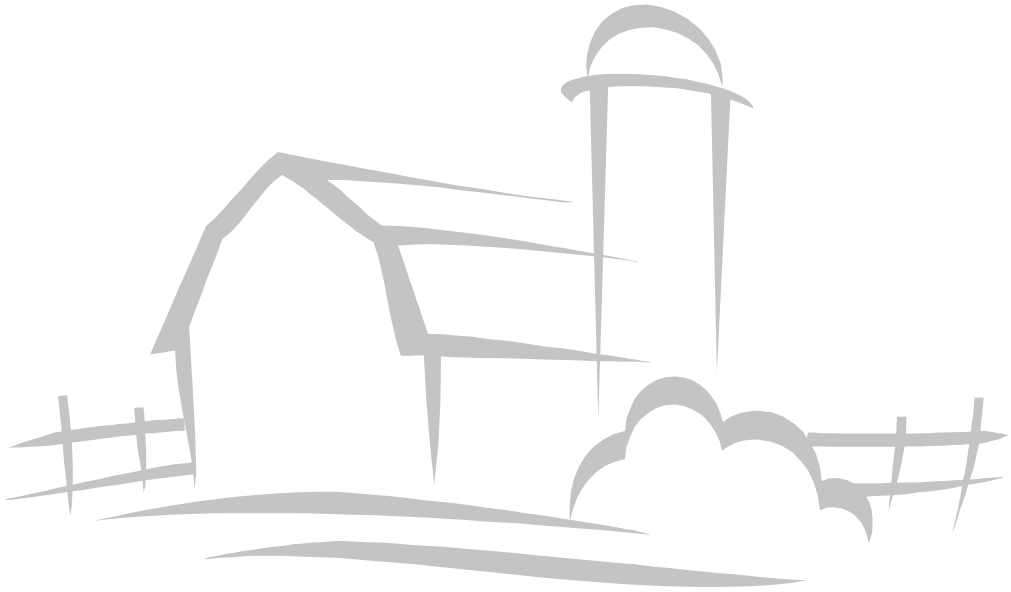

Vermont

Highway Garage Fund – This fund accounts for the maintenance and rental of equipment to the Agency of Transportation for use in construction, maintenance and operation of the State's transportation infrastructure.

Offender Work Programs – This fund accounts for the activities of the print shop, sign shop and furniture shop run by the Department of Corrections.

Single Audit Revolving Fund – The purpose of this fund is to account for the costs attributable to the Auditor of Accounts Office's performance of the annual Single Audit .

Financial & HR Information Fund – The activities of this fund account for the costs of the support of the State's financial and human capital management ERP systems.

Communications & Information Technology – This fund accounts for the activities of the Department of Information and Innovation's communications and information technology services.

Fleet Fund – This fund accounts for the Department of Buildings and General Services' vehicle management activities including the daily and long-term leasing of vehicles for employees use in travel on State business.

E-Procurement Fund - The purpose of the Purchasing Card Program is to establish a more efficient, cost-effective method of purchasing and paying for small dollar transactions and high-volume, repetitive purchases.

Copy Center Fund – This fund's activities include the Department of Buildings and General Services Print Shop and copier leasing services.

Postage Fund – This fund accounts for the mail services for the Montpelier and Waterbury state complexes including mail collection and delivery, sorting, and applying postage.

Facilities Operations Fund – This fund's purpose is to provide operating expenses, maintenance, renovations and acquisitions of buildings, grounds and support facilities.

Property Management Fund – This fund's purpose is to provide State Agencies with safe, comfortable, and efficient space through leasing; purchasing; and planning which enables them to carry out their mission.

Equipment Revolving Fund – This fund is used as an internal lease purchase mechanism of equipment for State agencies and departments.

State Resource Management Fund – This fund accounts for the costs of energy resource conservation measures implemented by departments anticipated to generate a life cycle cost benefit to the state.

State Surplus Property Fund – This fund accounts for the sale of all items that are no longer needed by the State's agencies and departments.

State Liability Insurance Fund – This fund provides liability insurance coverage for the actions performed by the State's employees in the course of performing their assigned duties.

Risk Management-All Other Fund – This fund is used to purchase insurance protection for state property and other miscellaneous risks that are specific to certain departments or types of employees, such as judicial liability, liability related to maintenance of railroad tracks, and required bonds for certain state officials.

Workers' Compensation Fund – This fund provides workers' compensation coverage for all state employees.

Medical Insurance Fund – This fund provides health coverage for current state employees, retirees, legislators and other groups eligible to participate.

Dental Insurance Fund – This fund provides dental coverage for current state employees, legislators and other groups eligible to participate.

Life Insurance Fund – This fund provides a life insurance policy for current state employees, retirees and other groups eligible to participate.

Long-term Disability Fund – This fund provides an income replacement benefit for state employees that are not eligible to be represented by the employees' union should they have a long term or permanent disability.

Employees' Assistance Fund – This fund provides a program that assists state employees and members of their immediate household assistance in addressing problems that impact their lives.

STATE OF VERMONT
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
June 30, 2010

	Highway Garage Fund	Offender Work Programs	Single Audit Revolving Fund
ASSETS			
Current assets:			
Cash and cash equivalents	$ -	$ -	$ -
Interest receivable	-	-	-
Accounts receivable	1,316,577	245,923	556,349
Due from other funds	-	-	-
Inventories, at cost	1,314,033	367,827	-
Prepaid expenses	394	-	-
Total current assets	**2,631,004**	**613,750**	**556,349**
Capital Assets:			
Land	26,156	-	-
Construction in progress	3,034,249	-	-
Works of art	-	-	-
Capital assets being depreciated:			
Machinery, equipment and buildings	48,013,426	1,523,382	-
Less accumulated depreciation	(30,053,146)	(1,032,497)	-
Total capital assets, net of depreciation	**21,020,685**	**490,885**	**-**
Total assets	**23,651,689**	**1,104,635**	**556,349**
LIABILITIES			
Current liabilities:			
Accounts payable	475,390	136,731	42,162
Accrued salaries and benefits	288,959	135,521	-
Claims payable	-	-	-
Due to other funds	-	-	-
Interfund payable	1,273,910	266,641	603,361
Unearned revenue	-	-	-
Capital leases payable	-	-	-
Total current liabilities	**2,038,259**	**538,893**	**645,523**
Long-term liabilities:			
Claims payable	-	-	-
Capital leases payable	-	-	-
Total long-term liabilities	-	-	-
Total liabilities	**2,038,259**	**538,893**	**645,523**
NET ASSETS			
Invested in capital assets, net of related debt	21,020,685	490,885	-
Unrestricted (deficit)	592,745	74,857	(89,174)
Total net assets	**$ 21,613,430**	**$ 565,742**	**$ (89,174)**

See Independent Auditors' Report.

Financial & HR Information Fund	Communcations & Information Technology	Fleet Fund	E-Procurement Fund
$ 870,908	$ 631,577	$ -	$ -
-	-	-	-
-	1,684,950	636,641	495,292
-	-	-	-
-	-	-	-
-	350,944	-	-
870,908	**2,667,471**	**636,641**	**495,292**
-	-	-	-
-	-	-	-
-	-	-	-
31,140	5,823,695	10,575,311	-
(19,462)	(5,192,199)	(5,175,977)	-
11,678	**631,496**	**5,399,334**	**-**
882,586	**3,298,967**	**6,035,975**	**495,292**
386,471	1,865,762	117,978	392,132
509,680	565,845	48,721	-
-	-	-	-
68,092	-	10,241	-
-	-	5,688,323	103,160
-	7,105	-	-
-	-	-	-
964,243	**2,438,712**	**5,865,263**	**495,292**
-	-	-	-
-	-	-	-
-	-	-	-
964,243	**2,438,712**	**5,865,263**	**495,292**
11,678	631,496	5,399,334	-
(93,335)	228,759	(5,228,622)	-
$ (81,657)	**$ 860,255**	**$ 170,712**	**$ -**

Continued on next page--->

STATE OF VERMONT
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
June 30, 2010

	Copy Center Fund	Postage Fund	Facilities Operations Fund
ASSETS			
Current assets:			
Cash and cash equivalents	$ -	$ -	$ 996,966
Interest receivable	-	-	-
Accounts receivable	190,555	255,259	293,844
Due from other funds	-	-	-
Inventories, at cost	-	540,070	-
Prepaid expenses	18,007	878	-
Total current assets	**208,562**	**796,207**	**1,290,810**
Capital Assets:			
Land	-	-	-
Construction in progress	-	-	-
Works of art	-	-	8,200
Capital assets being depreciated:			
Machinery, equipment and buildings	3,197,280	488,147	6,522,854
Less accumulated depreciation	(2,050,462)	(443,850)	(1,934,330)
Total capital assets, net of depreciation	**1,146,818**	**44,297**	**4,596,724**
Total assets	**1,355,380**	**840,504**	**5,887,534**
LIABILITIES			
Current Liabilities:			
Accounts payable	52,963	14,884	862,181
Accrued salaries and benefits	43,462	66,805	1,497,119
Claims payable	-	-	-
Due to other funds	15,203	12,185	-
Interfund payable	3,013,639	2,316,123	-
Unearned revenue	-	-	-
Capital leases payable	-	-	449,991
Total current liabilities	**3,125,267**	**2,409,997**	**2,809,291**
Long-term liabilities:			
Claims payable	-	-	-
Capital leases payable	-	-	4,261,097
Total long-term liabilities	-	-	4,261,097
Total liabilities	**3,125,267**	**2,409,997**	**7,070,388**
NET ASSETS			
Invested in capital assets, net of related debt	1,146,818	44,297	(114,364)
Unrestricted (deficit)	(2,916,705)	(1,613,790)	(1,068,490)
Total net assets	**$ (1,769,887)**	**$ (1,569,493)**	**$ (1,182,854)**

Property Management Fund	Equipment Revolving Fund	State Resource Management Fund	State Surplus Property Fund	State Liability Insurance Fund
$ -	$ -	$ -	$ 129,342	$ 6,135,668
-	-	-	-	-
85,140	1,124,778	150,175	3,957	-
-	-	-	12,103	3,637
-	-	-	34,814	-
727,882	-	-	-	-
813,022	**1,124,778**	**150,175**	**180,216**	**6,139,305**
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
19,287	-	-	13,577	-
(18,500)	-	-	(13,577)	-
787	**-**	**-**	**-**	**-**
813,809	**1,124,778**	**150,175**	**180,216**	**6,139,305**
115,171	-	-	4,227	19,568
110,218	-	-	21,308	33,705
-	-	-	-	-
-	-	-	3,705	-
20,961,733	1,124,778	150,175	-	-
-	-	-	34,814	-
-	-	-	-	-
21,187,122	**1,124,778**	**150,175**	**64,054**	**53,273**
-	-	-	-	6,917,902
-	-	-	-	-
-	-	-	-	6,917,902
21,187,122	**1,124,778**	**150,175**	**64,054**	**6,971,175**
787	-	-	-	-
(20,374,100)	-	-	116,162	(831,870)
$ (20,373,313)	**$ -**	**$ -**	**$ 116,162**	**$ (831,870)**

Continued on next page--->

STATE OF VERMONT
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
June 30, 2010

	Risk Management - All Other Fund	Workers' Compensation Fund	Medical Insurance Fund
ASSETS			
Current assets:			
Cash and cash equivalents	$ -	$ 18,501,111	$ 15,096,608
Interest receivable	-	-	2,083
Accounts receivable	328,697	-	3,899,594
Due from other funds	-	-	-
Inventories, at cost	-	-	-
Prepaid expenses	-	-	-
Total current assets	**328,697**	**18,501,111**	**18,998,285**
Capital Assets:			
Land	-	-	-
Construction in progress	-	-	-
Works of art	-	-	-
Capital assets being depreciated:			
Machinery, equipment and buildings	5,380	-	-
Less accumulated depreciation	(1,185)	-	-
Total capital assets, net of depreciation	**4,195**	**-**	**-**
Total assets	**332,892**	**18,501,111**	**18,998,285**
LIABILITIES			
Current Liabilities:			
Accounts payable	10,670	72,764	679,481
Accrued salaries and benefits	-	127,802	105,945
Claims payable	-	99,365	10,904,821
Due to other funds	3,637	-	-
Interfund payable	527,354	-	-
Unearned revenue	-	-	891
Capital leases payable	-	-	-
Total current liabilities	**541,661**	**299,931**	**11,691,138**
Long-term liabilities:			
Claims payable	-	24,237,415	-
Capital leases payable	-	-	-
Total long-term liabilities	-	24,237,415	-
Total liabilities	**541,661**	**24,537,346**	**11,691,138**
NET ASSETS			
Invested in capital assets, net of related debt	4,195	-	-
Unrestricted (deficit)	(212,964)	(6,036,235)	7,307,147
Total net assets	**$ (208,769)**	**$ (6,036,235)**	**$ 7,307,147**

Dental Insurance Fund	Life Insurance Fund	Long-Term Disability Fund	Employees' Assistance Fund	Eliminations	Total Internal Service Funds
$ 1,245,379	$ 637,801	$ 38,393	$ 62,997	$ -	$ 44,346,750
-	-	-	-	-	2,083
226,239	83,995	8,082	8,672	-	11,594,719
-	-	-	-	(15,740)	-
-	-	-	-	-	2,256,744
-	-	-	-	-	1,098,105
1,471,618	**721,796**	**46,475**	**71,669**	**(15,740)**	**59,298,401**
-	-	-	-	-	26,156
-	-	-	-	-	3,034,249
-	-	-	-	-	8,200
-	-	-	-	-	76,213,479
-	-	-	-	-	(45,935,185)
-	**-**	**-**	**-**	**-**	**33,346,899**
1,471,618	**721,796**	**46,475**	**71,669**	**(15,740)**	**92,645,300**
26,966	131,080	16,761	57,461	-	5,480,803
3,648	1,458	-	-	-	3,560,196
275,228	-	-	-	-	11,279,414
-	-	-	-	(15,740)	97,323
-	-	-	-	-	36,029,197
-	-	-	-	-	42,810
-	-	-	-	-	449,991
305,842	**132,538**	**16,761**	**57,461**	**(15,740)**	**56,939,734**
-	-	-	-	-	31,155,317
-	-	-	-	-	4,261,097
-	-	-	-	-	35,416,414
305,842	**132,538**	**16,761**	**57,461**	**(15,740)**	**92,356,148**
-	-	-	-	-	28,635,811
1,165,776	589,258	29,714	14,208	-	(28,346,659)
$ 1,165,776	**$ 589,258**	**$ 29,714**	**$ 14,208**	**$ -**	**$ 289,152**

STATE OF VERMONT
COMBINING STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Highway Garage Fund	Offender Work Programs	Single Audit Revolving Fund
Operating Revenues:			
Charges for sales and services	$ 14,437,180	$ 2,392,250	$ 2,572,852
Rental income	275,536	-	-
Other operating revenues	28,721	-	-
Total operating revenues	**14,741,437**	**2,392,250**	**2,572,852**
Operating Expenses:			
Cost of sales and services	-	767,866	-
Claims expense	-	-	-
Salaries and benefits	3,222,327	836,107	935,035
Insurance premium expense	315,925	2,000	-
Contractual services	11,024	13,255	1,468,197
Repairs and maintenance	631,440	55,770	-
Depreciation	4,357,907	69,400	-
Rental expense	7,420	170,388	-
Utilities and property management	135,738	48,540	78
Non-capital equipment purchased	(26,223)	99,485	4,452
Promotions and advertising	-	290	2,335
Administrative expenses	5,766	2,973	5,711
Supplies and parts	3,988,081	256,623	3,729
Distribution and postage	3,068	21,012	-
Travel expenses	476	9,848	949
Other operating expenses	10,012	91,880	-
Total operating expenses	**12,662,961**	**2,445,437**	**2,420,486**
Operating Income(Loss)	**2,078,476**	**(53,187)**	**152,366**
Non-Operating Revenues (Expenses):			
Gain (loss) on disposal of capital assets	306,864	(2,182)	-
Investment income (expense)	-	-	-
Total non-operating revenues (expenses)	**306,864**	**(2,182)**	**-**
Income (loss) before contributions and transfers	**2,385,340**	**(55,369)**	**152,366**
Capital contributions from other funds	-	-	-
Transfers in	1,120,000	-	-
Transfers out	-	-	-
Change in net assets	**3,505,340**	**(55,369)**	**152,366**
Total Net Assets (deficit), July 1	**18,108,090**	**621,111**	**(241,540)**
Total Net Assets (deficit), June 30	**$ 21,613,430**	**$ 565,742**	**$ (89,174)**

See Independent Auditors' Report.

Financial & HR Information Fund	Communications & Information Technology	Fleet Fund	E-Procurement Fund
$ 6,028,107	$ 14,524,361	$ 3,933,260	$ 4,313,697
-	-	-	-
-	-	144,993	-
6,028,107	**14,524,361**	**4,078,253**	**4,313,697**
-	3,974,621	-	4,313,697
-	-	-	-
3,570,704	4,116,523	550,936	-
7,187	2,130	116,909	-
522,041	697,360	23,939	-
1,093,656	695,769	609,020	-
6,227	770,255	1,653,435	-
258,191	666,578	20,912	-
278,963	1,297,305	27,994	-
269,734	1,040,376	29,139	-
2,021	1,955	2,555	-
46,494	127,132	105,438	-
15,485	12,059	924,493	-
6,028	2,525	1,016	-
2,771	27,708	334	-
8,193	407,864	2,984	-
6,087,695	**13,840,160**	**4,069,104**	**4,313,697**
(59,588)	**684,201**	**9,149**	**-**
-	(189)	9,848	-
-	-	-	-
-	**(189)**	**9,848**	**-**
(59,588)	**684,012**	**18,997**	**-**
-	1,298	-	-
-	-	-	-
(266,744)	(143,574)	(51,476)	-
(326,332)	**541,736**	**(32,479)**	**-**
244,675	**318,519**	**203,191**	**-**
$ (81,657)	**$ 860,255**	**$ 170,712**	**$ -**

Continued on next page--->

STATE OF VERMONT
COMBINING STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Copy Center Fund	Postage Fund	Facilities Operations Fund
Operating Revenues:			
Charges for sales and services	$ 1,948,066	$ 2,791,775	$ 27,469,500
Rental income	-	-	-
Other operating revenues	-	-	1,268,313
Total operating revenues	**1,948,066**	**2,791,775**	**28,737,813**
Operating Expenses:			
Cost of sales and services	282,939	2,169,157	-
Claims expense	-	-	-
Salaries and benefits	649,371	656,685	12,243,342
Insurance premium expense	5,022	4,635	414,233
Contractual services	20,550	-	843,300
Repairs and maintenance	271,331	81,569	1,295,528
Depreciation	436,438	31,580	966,124
Rental expense	161,600	58,919	913,544
Utilities and property management	33,454	33,182	7,602,885
Non-capital equipment purchased	75,504	35	88,005
Promotions and advertising	272	-	3,777
Administrative expenses	99,396	29,322	1,006,148
Supplies and parts	3,742	14,062	1,940,349
Distribution and postage	487	9,985	17,009
Travel expenses	311	72	47,332
Other operating expenses	3,948	745	588,978
Total operating expenses	**2,044,365**	**3,089,948**	**27,970,554**
Operating Income(Loss)	**(96,299)**	**(298,173)**	**767,259**
Non-Operating Revenues (Expenses):			
Gain (loss) on disposal of capital assets	(709)	-	688
Investment income (expense)	-	-	-
Total non-operating revenues (expenses)	**(709)**	**-**	**688**
Income (loss) before contributions and transfers	**(97,008)**	**(298,173)**	**767,947**
Capital contributions from other funds	-	-	-
Transfers in	-	-	767,996
Transfers out	-	-	(427,035)
Change in net assets	**(97,008)**	**(298,173)**	**1,108,908**
Total Net Assets (deficit), July 1	**(1,672,879)**	**(1,271,320)**	**(2,291,762)**
Total Net Assets (deficit), June 30	**$ (1,769,887)**	**$ (1,569,493)**	**$ (1,182,854)**

Property Management Fund	Equipment Revolving Fund	State Resource Management Fund	State Surplus Property Fund	State Liability Insurance Fund
$ -	$ 451,332	$ 6,031	$ 1,230,771	$ 2,867,514
12,623,437	-	-	-	-
366,752	-	-	222,022	-
12,990,189	**451,332**	**6,031**	**1,452,793**	**2,867,514**
10,078,174	-	-	1,168,518	424,075
-	-	-	-	1,983,164
903,689	-	-	88,841	269,890
34,869	-	-	386	2,318
99,418	-	-	32,148	591,104
76,765	-	4,009	1,693	74
821	-	-	-	-
55,477	-	-	60,646	16,175
1,315,616	-	-	10,867	16,855
2,644	449,982	1,992	4,671	72,762
296		-	664	-
304,617	1,350	30	27,509	82,308
102,871	-	-	2,003	117
261	-	-	2,631	1,298
715	-	-	81	368
22,237	-	-	466	616
12,998,470	**451,332**	**6,031**	**1,401,124**	**3,461,124**
(8,281)	**-**	**-**	**51,669**	**(593,610)**
-	-	-	-	-
-	-	-	-	17,437
-	**-**	**-**	**-**	**17,437**
(8,281)	**-**	**-**	**51,669**	**(576,173)**
-	-	-	-	-
-	-	-	-	-
(2,499,715)	-	-	-	-
(2,507,996)	**-**	**-**	**51,669**	**(576,173)**
(17,865,317)	**-**	**-**	**64,493**	**(255,697)**
$ (20,373,313)	**$ -**	**$ -**	**$ 116,162**	**$ (831,870)**

Continued on next page--->

STATE OF VERMONT
COMBINING STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Risk Management - All Other Fund	Workers' Compensation Fund	Medical Insurance Fund
Operating Revenues:			
Charges for sales and services	$ 1,909,517	$ 9,336,125	$ 118,434,521
Rental income	-	-	-
Other operating revenues	-	-	17,355
Total operating revenues	**1,909,517**	**9,336,125**	**118,451,876**
Operating Expenses:			
Cost of sales and services	1,957,353	-	-
Claims expense	-	9,958,945	109,027,749
Salaries and benefits	15,476	1,240,065	755,736
Insurance premium expense	386	5,022	4,409,740
Contractual services	4,033	121,520	253,981
Repairs and maintenance	-	1,456	282
Depreciation	769	-	-
Rental expense	2,696	45,232	95,731
Utilities and property management	7,883	51,659	19,084
Non-capital equipment purchased	12,057	167,507	45,802
Promotions and advertising	-	147	365
Administrative expenses	37,947	170,851	5,913,657
Supplies and parts	5	6,092	21,290
Distribution and postage	208	2,723	24,487
Travel expenses	55	341	5,476
Other operating expenses	271	2,618	3,113
Total operating expenses	**2,039,139**	**11,774,178**	**120,576,493**
Operating Income(Loss)	**(129,622)**	**(2,438,053)**	**(2,124,617)**
Non-Operating Revenues (Expenses):			
Gain (loss) on disposal of capital assets	-	-	-
Investment income (expense)	-	61,932	50,842
Total non-operating revenues (expenses)	**-**	**61,932**	**50,842**
Income (loss) before contributions and transfers	**(129,622)**	**(2,376,121)**	**(2,073,775)**
Capital contributions from other funds	-	-	-
Transfers in	-	-	-
Transfers out	-	-	-
Change in net assets	**(129,622)**	**(2,376,121)**	**(2,073,775)**
Total Net Assets (deficit), July 1	**(79,147)**	**(3,660,114)**	**9,380,922**
Total Net Assets (deficit), June 30	**$ (208,769)**	**$ (6,036,235)**	**$ 7,307,147**

Dental Insurance Fund	Life Insurance Fund	Long-Term Disability Fund	Employees' Assistance Fund	Total Internal Service Funds
$ 5,748,385	$ 2,046,808	$ 205,032	$ 227,203	$ 222,874,287
-	-	-	-	12,898,973
50	-	-	-	2,048,206
5,748,435	**2,046,808**	**205,032**	**227,203**	**237,821,466**
-	-	-	-	25,136,400
4,972,853	-	-	-	125,942,711
20,040	8,015	-	-	30,082,782
76	1,797,256	203,070	234,911	7,556,075
29,400	-	15,000	-	4,746,270
6	3	-	-	4,818,371
-	-	-	-	8,292,956
1,775	710	-	-	2,535,994
541	217	-	-	10,880,861
77	31	-	-	2,338,032
12	5	-	-	14,694
334,283	5,418	-	-	8,306,350
147	59	-	-	7,291,207
443	177	-	-	93,358
9	5	-	-	96,851
117	47	-	-	1,144,089
5,359,779	**1,811,943**	**218,070**	**234,911**	**239,277,001**
388,656	**234,865**	**(13,038)**	**(7,708)**	**(1,455,535)**
-	-	-	-	314,320
3,165	1,778	-	-	135,154
3,165	**1,778**	**-**	**-**	**449,474**
391,821	**236,643**	**(13,038)**	**(7,708)**	**(1,006,061)**
-	-	-	-	1,298
-	-	-	-	1,887,996
(7,522)	-	-	-	(3,396,066)
384,299	**236,643**	**(13,038)**	**(7,708)**	**(2,512,833)**
781,477	**352,615**	**42,752**	**21,916**	**2,801,985**
$ 1,165,776	**$ 589,258**	**$ 29,714**	**$ 14,208**	**$ 289,152**

STATE OF VERMONT
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Highway Garage Fund	Offender Work Programs	Single Audit Revolving Fund
Cash Flows From Operating Activities:			
Cash received from customers	$ 14,071,429	$ 2,399,574	$ 2,019,136
Cash paid to suppliers for goods and services	(4,838,637)	(1,250,419)	(1,533,047)
Cash paid to employees for services	(3,230,828)	(855,895)	(935,035)
Cash paid to claimants	-	-	-
Other operating revenues	28,721	-	-
Other operating expenses	(10,012)	(91,880)	-
Net cash provided (used) by operating activities	**6,020,673**	**201,380**	**(448,946)**
Cash Flows From Noncapital Financing Activities:			
Operating transfers	1,120,000	-	-
Interfund loans	(3,526,465)	(194,272)	448,946
Net cash provided (used) by noncapital financing activities	**(2,406,465)**	**(194,272)**	**448,946**
Cash Flows From Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(4,226,595)	(7,108)	-
Proceeds from sale of capital assets	612,387	-	-
Proceeds from capital leases	-	-	-
Net cash used by capital and related financing activities	**(3,614,208)**	**(7,108)**	**-**
Cash Flows From Investing Activities:			
Interest earned on investments	-	-	-
Net cash provided by investing activities	**-**	**-**	**-**
Net increase (decrease) in cash and cash equivalents	**-**	**-**	**-**
Cash and cash equivalents at July 1	-	-	-
Cash and cash equivalents at June 30	**$ -**	**$ -**	**$ -**
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	$ 2,078,476	$ (53,187)	$ 152,366
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	4,357,907	69,400	-
(Increase)decrease in accounts receivable	(657,354)	7,324	(553,716)
(Increase)decrease in due from other funds	16,067	-	-
(Increase)decrease in inventory	16,615	141,862	-
(Increase)decrease in prepaid expenses	2,191	-	-
Increase(decrease) in accounts payable	215,272	55,769	(47,596)
Increase(decrease) in accrued salaries and benefits	(8,501)	(19,788)	-
Increase(decrease) in claims payable	-	-	-
Increase(decrease) in due to other funds	-	-	-
Increase(decrease) in deferred revenue	-	-	-
Total adjustments	**3,942,197**	**254,567**	**(601,312)**
Net cash provided (used) by operating activities	**$ 6,020,673**	**$ 201,380**	**$ (448,946)**

See Independent Auditors' Report.

Financial & HR Information Fund	Communcations & Information Technology	Fleet Fund	E-Procurement Fund
$ 6,033,967	$ 15,125,418	$ 3,995,131	$ 4,347,572
(2,542,389)	(8,042,389)	(1,995,165)	(4,280,540)
(3,552,236)	(4,096,456)	(541,134)	-
-	-	-	-
-	-	144,993	-
(8,193)	(407,864)	(2,984)	-
(68,851)	**2,578,709**	**1,600,841**	**67,032**
(266,744)	(143,574)	(51,476)	-
-	(1,563,683)	(490,126)	(67,032)
(266,744)	**(1,707,257)**	**(541,602)**	**(67,032)**
-	(239,875)	(1,287,272)	-
-	-	228,033	-
-	-	-	-
-	**(239,875)**	**(1,059,239)**	**-**
-	-	-	-
-	**-**	**-**	**-**
(335,595)	**631,577**	**-**	**-**
1,206,503	-	-	-
$ 870,908	**$ 631,577**	**$ -**	**$ -**
$ (59,588)	$ 684,201	$ 9,149	$ -
6,227	770,255	1,653,435	-
-	601,057	(109,907)	33,875
5,860	7,854	171,778	-
-	-	-	-
-	122,195	-	-
(107,910)	780,192	(143,657)	33,157
18,468	20,067	9,802	-
-	-	-	-
68,092	-	10,241	-
-	(407,112)	-	-
(9,263)	**1,894,508**	**1,591,692**	**67,032**
$ (68,851)	**$ 2,578,709**	**$ 1,600,841**	**$ 67,032**

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STATE OF VERMONT
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Copy Center Fund	Postage Fund	Facilities Operations Fund
Cash Flows From Operating Activities:			
Cash received from customers	$ 2,051,903	$ 2,813,979	$ 28,483,927
Cash paid to suppliers for goods and services	(1,001,960)	(2,494,047)	(15,051,650)
Cash paid to employees for services	(657,175)	(651,134)	(12,208,909)
Cash paid to claimants	-	-	-
Other operating revenues	-	-	1,268,313
Other operating expenses	(3,948)	(745)	(588,978)
Net cash provided (used) by operating activities	**388,820**	**(331,947)**	**1,902,703**
Cash Flows From Noncapital Financing Activities:			
Operating transfers	-	-	340,961
Interfund loans	654,655	331,947	(1,084,904)
Net cash provided (used) by noncapital financing activities	**654,655**	**331,947**	**(743,943)**
Cash Flows From Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(1,043,775)	-	(145,103)
Proceeds from sale of capital assets	300	-	688
Proceeds from capital leases	-	-	(17,379)
Net cash used by capital and related financing activities	**(1,043,475)**	**-**	**(161,794)**
Cash Flows From Investing Activities:			
Interest earned on investments	-	-	-
Net cash provided by investing activities	**-**	**-**	**-**
Net increase (decrease) in cash and cash equivalents	**-**	**-**	**996,966**
Cash and cash equivalents at July 1	-	-	-
Cash and cash equivalents at June 30	**$ -**	**$ -**	**$ 996,966**
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	$ (96,299)	$ (298,173)	$ 767,259
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	436,438	31,580	966,124
(Increase)decrease in accounts receivable	100,127	22,204	415,931
(Increase)decrease in due from other funds	3,710	-	598,496
(Increase)decrease in inventory	-	(73,116)	-
(Increase)decrease in prepaid expenses	(1,071)	1,865	54,867
Increase(decrease) in accounts payable	(61,484)	(4,109)	(538,711)
Increase(decrease) in accrued salaries and benefits	(7,804)	5,551	34,433
Increase(decrease) in claims payable	-	-	-
Increase(decrease) in due to other funds	15,203	(17,749)	-
Increase(decrease) in deferred revenue	-	-	(395,696)
Total adjustments	**485,119**	**(33,774)**	**1,135,444**
Net cash provided (used) by operating activities	**$ 388,820**	**$ (331,947)**	**$ 1,902,703**

Property Management Fund	Equipment Revolving Fund	State Resource Management Fund	State Surplus Property Fund	State Liability Insurance Fund
$ 12,808,245	$ 920,369	$ 36,801	$ 1,256,163	$ 2,863,877
(12,086,928)	(451,332)	(31,492)	(1,344,123)	(3,903,793)
(933,009)	-	-	(86,127)	(236,185)
-	-	-	-	(1,347,076)
366,752	-	-	222,022	-
(22,237)	-	-	(466)	(616)
132,823	**469,037**	**5,309**	**47,469**	**(2,623,793)**
(2,499,715)	-	-	-	-
2,366,892	(469,037)	(5,309)	-	-
(132,823)	**(469,037)**	**(5,309)**	**-**	**-**
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	**-**	**-**	**-**	**-**
-	-	-	-	17,437
-	**-**	**-**	**-**	**17,437**
-	**-**	**-**	**47,469**	**(2,606,356)**
-	-	-	81,873	8,742,024
$ -	**$ -**	**$ -**	**$ 129,342**	**$ 6,135,668**
$ (8,281)	$ -	$ -	$ 51,669	$ (593,610)
821	-	-	-	-
175,041	469,037	30,770	(3,696)	-
9,767	-	-	29,088	(3,637)
-	-	-	9,868	-
(5,590)	-	-	-	-
(9,615)	-	(24,566)	1,146	12,739
(29,320)	-	-	2,714	33,705
-	-	-	-	636,088
-	-	(895)	(33,452)	(2,709,078)
-	-	-	(9,868)	-
141,104	**469,037**	**5,309**	**(4,200)**	**(2,030,183)**
$ 132,823	**$ 469,037**	**$ 5,309**	**$ 47,469**	**$ (2,623,793)**

Continued on next page ---->

STATE OF VERMONT
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Risk Management - All Other Fund	Workers Compensation Fund	Medical Insurance Fund
Cash Flows From Operating Activities:			
Cash received from customers	$ 1,646,213	$ 9,415,807	$ 118,349,875
Cash paid to suppliers for goods and services	(2,014,847)	(530,943)	(10,814,804)
Cash paid to employees for services	(15,476)	(1,278,587)	(760,840)
Cash paid to claimants	-	(6,374,876)	(108,961,398)
Other operating revenues	-	-	17,355
Other operating expenses	(271)	(2,618)	(3,113)
Net cash provided (used) by operating activities	**(384,381)**	**1,228,783**	**(2,172,925)**
Cash Flows From Noncapital Financing Activities:			
Operating transfers	-	-	-
Interfund loans	384,381	-	-
Net cash provided (used) by noncapital financing activities	**384,381**	**-**	**-**
Cash Flows From Capital and Related Financing Activities:			
Acquisition and construction of capital assets	-	-	-
Proceeds from sale of capital assets	-	-	-
Proceeds from capital leases	-	-	-
Net cash used by capital and related financing activities	**-**	**-**	**-**
Cash Flows From Investing Activities:			
Interest earned on investments	-	64,677	54,129
Net cash provided by investing activities	**-**	**64,677**	**54,129**
Net increase (decrease) in cash and cash equivalents	**-**	**1,293,460**	**(2,118,796)**
Cash and cash equivalents at July 1	-	17,207,651	17,215,404
Cash and cash equivalents at June 30	**$ -**	**$ 18,501,111**	**$ 15,096,608**
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	$ (129,622)	$ (2,438,053)	$ (2,124,617)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	769	-	-
(Increase)decrease in accounts receivable	(263,748)	33,901	(86,548)
(Increase)decrease in due from other funds	444	45,781	1,902
(Increase)decrease in inventory	-	-	-
(Increase)decrease in prepaid expenses	-	-	-
Increase(decrease) in accounts payable	7,660	41,607	(8,498)
Increase(decrease) in accrued salaries and benefits	-	(38,522)	(5,104)
Increase(decrease) in claims payable	-	3,584,069	66,351
Increase(decrease) in due to other funds	116	-	-
Increase(decrease) in deferred revenue	-	-	(16,411)
Total adjustments	**(254,759)**	**3,666,836**	**(48,308)**
Net cash provided (used) by operating activities	**$ (384,381)**	**$ 1,228,783**	**$ (2,172,925)**

Dental Insurance Fund	Life Insurance Fund	Long-Term Disability Fund	Employees' Assistance Fund	Total Internal Service Funds
$ 5,749,678	$ 2,039,816	$ 205,231	$ 227,509	$ 236,861,620
(367,081)	(1,799,187)	(218,663)	(231,580)	(76,825,016)
(19,131)	(7,651)	-	-	(30,065,808)
(4,974,032)	-	-	-	(121,657,382)
50	-	-	-	2,048,206
(117)	(47)	-	-	(1,144,089)
389,367	**232,931**	**(13,432)**	**(4,071)**	**9,217,531**
-	-	-	-	(1,500,548)
(7,522)	-	-	-	(3,221,529)
(7,522)	**-**	**-**	**-**	**(4,722,077)**
-	-	-	-	(6,949,728)
-	-	-	-	841,408
-	-	-	-	(17,379)
-	**-**	**-**	**-**	**(6,125,699)**
3,165	1,778	-	-	141,186
3,165	**1,778**	**-**	**-**	**141,186**
385,010	**234,709**	**(13,432)**	**(4,071)**	**(1,489,059)**
860,369	403,092	51,825	67,068	45,835,809
$ 1,245,379	**$ 637,801**	**$ 38,393**	**$ 62,997**	**$ 44,346,750**
$ 388,656	$ 234,865	$ (13,038)	$ (7,708)	$ (1,455,535)
-	-	-	-	8,292,956
1,258	(7,006)	199	306	209,055
35	14	-	-	887,159
-	-	-	-	95,229
-	-	-	-	174,457
(312)	4,694	(593)	3,331	208,516
909	364	-	-	16,974
(1,179)	-	-	-	4,285,329
-	-	-	-	(2,667,522)
-	-	-	-	(829,087)
711	**(1,934)**	**(394)**	**3,637**	**10,673,066**
$ 389,367	**$ 232,931**	**$ (13,432)**	**$ (4,071)**	**$ 9,217,531**

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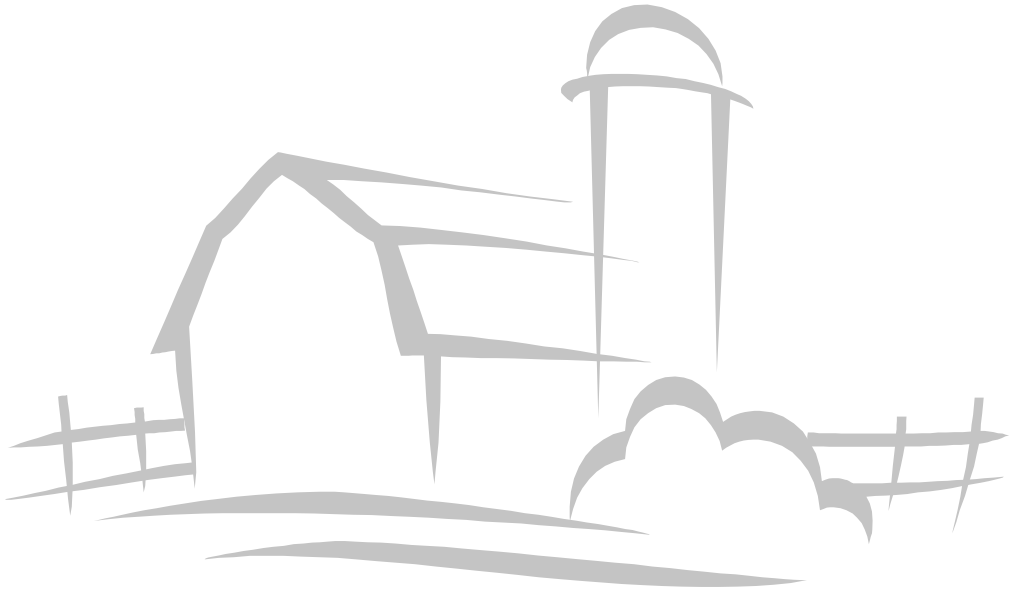

Vermont

Vermont State Retirement Fund – This is the public defined benefit pension plan provided by the State of Vermont for State employees.

State Teachers' Retirement Fund – This is the public defined benefit pension plan provided by the State of Vermont for State teachers.

Vermont Municipal Employees' Retirement Fund – This is the public pension plan administered by the State of Vermont for participating municipalities' employees.

Vermont State Defined Contribution Fund – This is a retirement plan for those exempt State employees that elected to participate in the defined contribution plan for the Vermont State Retirement System.

Single Deposit Investment Account Fund – This is a tax sheltered account funded through employee transfers from a non-contributing system years ago.

Vermont Municipal Employees' Defined Contribution Fund – This is a retirement plan for those participating municipalities' employees that elected to participate in the defined contribution plan for the Vermont Municipal Employees' Retirement Fund.

Vermont State Postemployment Benefits Trust Fund – This fund's purpose is to accumulate and provide reserves to support retiree postemployment benefits for members of the Vermont state employees' retirement system.

Vermont Municipal Employees' Health Benefit Fund – This is a fund established by the Vermont Municipal Employees' Retirement System's Board of Directors as a tax-advantaged savings plan that assists retirees in paying for healthcare costs after retirement.

STATE OF VERMONT
PENSION AND OTHER POSTEMPLOYMENT BENEFITS TRUST FUNDS
COMBINING STATEMENTS OF PLAN NET ASSETS
June 30, 2010

	Defined Benefit Plans		
	Vermont State Retirement Fund	**State Teachers' Retirement Fund**	**Vermont Municipal Employees' Retirement Fund**
Assets:			
Cash and short term investments	$ 748,315	$ 4,748,826	$ 1,409,714
Receivables:			
Contributions - current	5,618,790	3,433,405	2,617,178
Contributions non-current	-	-	6,713,298
Interest and dividends	76,406	83,010	420,581
Investments sold	-	-	-
Due from other funds	1,563,333	-	41,962
Other	-	503,862	-
Total receivables	7,258,529	4,020,277	9,793,019
Investments at Fair value:			
Pooled investments	1,161,739,403	1,294,423,059	320,562,218
Fixed income	-	-	-
Equities	-	6	-
Real estate and venture capital	561,476	449,534	25,642
Mutual funds	-	-	-
Invested securities lending collateral	177,002,253	192,965,724	47,941,289
Total investments	1,339,303,132	1,487,838,323	368,529,149
Prepaid expenses	-	1,442,181	8,885
Capital Assets:			
Construction in progress	1,150,292	1,335,024	343,437
Capital assets being depreciated:			
Equipment	765,634	928,097	374,289
Less accumulated depreciation	(121,720)	(143,892)	(62,904)
Total capital assets, net of depreciation	1,794,206	2,119,229	654,822
Total assets	**1,349,104,182**	**1,500,168,836**	**380,395,589**
Liabilities:			
Payable for investments purchased	-	-	-
Accounts payable	1,920,577	1,549,268	393,814
Retainage payable	218,507	266,725	108,282
Due to other funds	-	-	-
Interunit payable	117,943	137,069	63,753
Securities lending obligations	177,002,253	192,965,724	47,941,289
Total liabilities	**179,259,280**	**194,918,786**	**48,507,138**
Net assets held in trust for employees' pension and other postemployment benefits	**$ 1,169,844,902**	**$ 1,305,250,050**	**$ 331,888,451**

See Independent Auditors' Report.

Defined Contribution Plans			Other Postemployment Benefits Funds			
Vermont State Defined Contribution Fund	Single Deposit Investment Account Fund	Vermont Municipal Employees' Defined Contribution Fund	Vermont State Postemployment Benefits Trust Fund	Vermont Municipal Employees' Health Benefit Fund	Eliminations	Total
$ 60,961	$ 7,856,305	$ 75,482	$ 2,266,683	$ 208,579	$ -	$ 17,374,865
149,270	-	18,599	-	-	-	11,837,242
-	-	-	-	-	-	6,713,298
-	541,785	-	-	-	-	1,121,782
-	1,678,758	-	-	-	-	1,678,758
-	-	-	819,760	-	(1,605,295)	819,760
-	10,359	-	-	-	-	514,221
149,270	2,230,902	18,599	819,760	-	(1,605,295)	22,685,061
-	-	-	-	-	-	2,776,724,680
-	76,037,054	-	4,315,753	-	-	80,352,807
-	8,160	-	1,742,949	-	-	1,751,115
-	-	-	-	-	-	1,036,652
36,900,570	-	13,328,826	328,725	9,346,074	-	59,904,195
-	-	-	-	-	-	417,909,266
36,900,570	76,045,214	13,328,826	6,387,427	9,346,074	-	3,337,678,715
2,563	-	-	-	-	-	1,453,629
-	-	-	-	-	-	2,828,753
-	-	-	-	-	-	2,068,020
-	-	-	-	-	-	(328,516)
-	-	-	-	-	-	4,568,257
37,113,364	**86,132,421**	**13,422,907**	**9,473,870**	**9,554,653**	**(1,605,295)**	**3,383,760,527**
-	4,038,998	-	-	-	-	4,038,998
8,161	-	513	56,607	-	-	3,928,940
-	-	-	-	-	-	593,514
43,452	-	41,962	1,519,881	-	(1,605,295)	-
-	-	-	-	-	-	318,765
-	-	-	-	-	-	417,909,266
51,613	**4,038,998**	**42,475**	**1,576,488**	**-**	**(1,605,295)**	**426,789,483**
$ 37,061,751	**$ 82,093,423**	**$ 13,380,432**	**$ 7,897,382**	**$ 9,554,653**	**$ -**	**$ 2,956,971,044**

STATE OF VERMONT
PENSION AND OTHER POSTEMPLOYMENT BENEFITS TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Defined Benefit Plans		
	Vermont State Retirement Fund	State Teachers' Retirement Fund	Vermont Municipal Employees' Retirement Fund
Additions :			
Contributions			
Employer - pension benefit	$ 31,468,885	$ 22,945,321	$ 10,592,919
Employer - healthcare benefit	-	17,600,000	-
Plan member	22,840,354	25,315,397	10,711,600
Transfers from other pension trust funds	227,524	425,480	203,548
Transfers from non-state systems	-	16,779	-
Medicare part D drug subsidy	-	1,375,282	-
Total contributions	**54,536,763**	**67,678,259**	**21,508,067**
Investment Income:			
Net appreciation (depreciation) in fair value of investments	503,931	(453,345)	(165,514)
Income from pooled investments	185,919,402	213,601,861	48,316,439
Dividends	-	-	-
Interest	14,144	32,922	577,622
Securities lending income	1,108,457	1,229,615	282,135
Other income	384,485	395,367	24,034
Total investment income	**187,930,419**	**214,806,420**	**49,034,716**
Less Investment Expenses:			
Investment managers and consultants	5,059,288	5,774,594	1,365,902
Securities lending expenses	277,870	308,216	70,718
Total investment expenses	**5,337,158**	**6,082,810**	**1,436,620**
Net investment income	**182,593,261**	**208,723,610**	**47,598,096**
Total additions	**237,130,024**	**276,401,869**	**69,106,163**
Deductions:			
Retirement benefits	79,001,908	96,448,101	11,073,099
Other post employment benefits	-	17,203,669	-
Refunds of contributions	1,521,440	1,183,659	1,127,574
Death claims	275,977	154,724	298,030
Transfers to other pension trust funds	292,301	149,017	497,492
Depreciation	77,038	91,959	38,801
Operating expenses	814,440	986,804	355,145
Total deductions	**81,983,104**	**116,217,933**	**13,390,141**
Change in net assets	**155,146,920**	**160,183,936**	**55,716,022**
Net assets held in trust for employees' pension and other postemployment benefits:			
July 1	**1,014,697,982**	**1,145,066,114**	**276,172,429**
June 30	**$ 1,169,844,902**	**$ 1,305,250,050**	**$ 331,888,451**

See Independent Auditors' Report.

Defined Contribution Plans			Other Postemployment Benefits Funds			
Vermont State Defined Contribution Fund	Single Deposit Investment Account Fund	Vermont Municipal Employees' Defined Contribution Fund	Vermont State Postemployment Benefit Trust Fund	Vermont Municipal Employees' Health Benefit Fund	Eliminations	Total
$ 1,531,207	$ -	$ 670,540	$ -	$ -	$ -	$ 67,208,872
-	-	-	22,300,139	-	-	39,900,139
629,015	-	640,760	-	-	-	60,137,126
57,303	-	24,955	228,629	-	(1,167,439)	-
27,251	-	14,576	-	-	-	58,606
-	-	-	-	-	-	1,375,282
2,244,776	**-**	**1,350,831**	**22,528,768**	**-**	**(1,167,439)**	**168,680,025**
3,306,494	4,854,002	1,081,669	267,872	928,135	-	10,323,244
-	-	-	-	-	-	447,837,702
883,639	-	311,714	51,269	-	-	1,246,622
418	3,608,528	311	160,923	484	-	4,395,352
-	48,393	-	-	-	-	2,668,600
466	13,949	-	-	-	-	818,301
4,191,017	**8,524,872**	**1,393,694**	**480,064**	**928,619**	**-**	**467,289,821**
-	388,635	-	-	62,104	-	12,650,523
-	-	-	-	-	-	656,804
-	**388,635**	**-**	**-**	**62,104**	**-**	**13,307,327**
4,191,017	**8,136,237**	**1,393,694**	**480,064**	**866,515**	**-**	**453,982,494**
6,435,793	**8,136,237**	**2,744,525**	**23,008,832**	**866,515**	**(1,167,439)**	**622,662,519**
1,838,504	5,742,802	948,064	-	-	-	195,052,478
-	-	-	20,860,032	349,821	-	38,413,522
-	-	-	-	-	-	3,832,673
-	-	-	-	-	-	728,731
228,629	-	-	-	-	(1,167,439)	-
-	-	-	-	-	-	207,798
44,690	-	72,062	-	-	-	2,273,141
2,111,823	**5,742,802**	**1,020,126**	**20,860,032**	**349,821**	**(1,167,439)**	**240,508,343**
4,323,970	**2,393,435**	**1,724,399**	**2,148,800**	**516,694**	**-**	**382,154,176**
32,737,781	**79,699,988**	**11,656,033**	**5,748,582**	**9,037,959**	**-**	**2,574,816,868**
$ 37,061,751	**$ 82,093,423**	**$ 13,380,432**	**$ 7,897,382**	**$ 9,554,653**	**$ -**	**$ 2,956,971,044**

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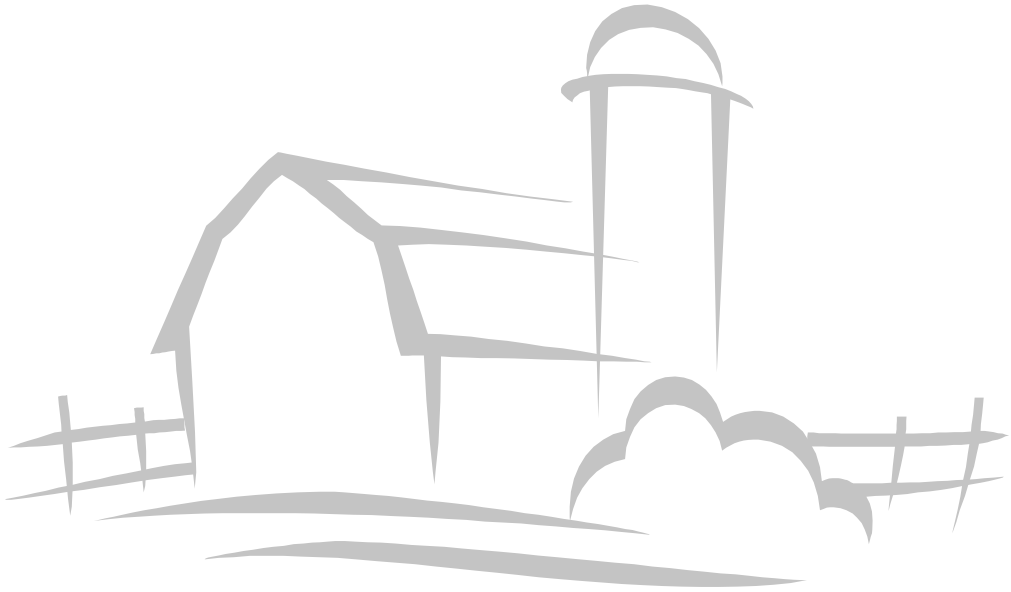

Vermont

Agency Funds' Descriptions

Retirement System Contributions and Withholdings Fund – This fund holds the employees' retirement contributions and withholdings until distribution to the appropriate pension fund.

Federal Income Tax Withholdings Fund – This fund holds employees' federal income tax withholdings until they are paid to the Federal Government.

State Income Tax Withholdings Fund – This fund holds employees' state income tax withholdings are held until they are paid to the State.

Social Security Tax Contributions and Withholdings Fund – This is the fund where employees' FICA withholdings are held until they are paid to the Federal Government.

Employees Credit Union Withholding Fund – This is the fund where employees voluntary withholdings to pay off Vermont State Employees' Credit Union (VSECU) loans or deposits to VSECU accounts (other than net pay) are held until paid to the VSECU.

Employees Insurance Contributions and Withholdings Fund – This is the fund where the State and the State's employees' share of the insurance premiums is held until distribution to the appropriate internal service fund.

Employees Deferred Income Withholdings Fund – This is the fund where the employees' voluntary deferred income withholdings are held until paid to the program administrator.

Other Employee Contributions and Withholdings Fund – This is the fund where other withholdings and contributions (charitable, savings bonds, flexible spending, etc) are held until paid to the appropriate depository.

Vendor and Other Deposits Fund – This is the fund where escrow amounts, advances, garnishments and other miscellaneous agency funds are reported.

Child Support Collections Fund – This is the fund where child support receipts are held until paid to the correct recipient.

STATE OF VERMONT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Balance June 30, 2009	Additions	Deductions	Balance June 30, 2010
RETIREMENT SYSTEM CONTRIBUTIONS AND WITHHOLDINGS FUND				
ASSETS				
Cash	$ -	$ 73,379,012	$ 73,379,012	$ -
Accounts receivable	861	2,697	861	2,697
Total assets	$ 861	$ 73,381,709	$ 73,379,873	$ 2,697
LIABILITIES				
Due to depositories	$ -	$ 73,379,012	$ 73,379,012	$ -
Interfund payable	861	2,697	861	2,697
Total liabilities	$ 861	$ 73,381,709	$ 73,379,873	$ 2,697
FEDERAL INCOME TAX WITHHOLDINGS FUND				
ASSETS				
Cash	$ 8,969	$ 46,524,055	$ 46,515,722	$ 17,302
Total assets	$ 8,969	$ 46,524,055	$ 46,515,722	$ 17,302
LIABILITIES				
Due to depositories	$ 8,969	$ 46,524,055	$ 46,515,722	$ 17,302
Total liabilities	$ 8,969	$ 46,524,055	$ 46,515,722	$ 17,302
STATE INCOME TAX WITHHOLDINGS FUND				
ASSETS				
Cash	$ 56	$ 14,370,831	$ 14,370,648	$ 239
Total assets	$ 56	$ 14,370,831	$ 14,370,648	$ 239
LIABILITIES				
Due to depositories	$ 56	$ 14,370,831	$ 14,370,648	$ 239
Total liabilities	$ 56	$ 14,370,831	$ 14,370,648	$ 239
SOCIAL SECURITY TAX CONTRIBUTIONS AND WITHHOLDINGS FUND				
ASSETS				
Cash	$ -	$ 67,562,955	$ 67,562,955	$ -
Accounts receivable	19,484	16,899	19,484	16,899
Total assets	$ 19,484	$ 67,579,854	$ 67,582,439	$ 16,899
LIABILITIES				
Due to depositories	$ -	$ 67,562,955	$ 67,562,955	$ -
Interfund payable	19,484	16,899	19,484	16,899
Total liabilities	$ 19,484	$ 67,579,854	$ 67,582,439	$ 16,899
EMPLOYEES CREDIT UNION WITHHOLDING FUND				
ASSETS				
Cash	$ -	$ 38,856,151	$ 38,856,151	$ -
Total assets	$ -	$ 38,856,151	$ 38,856,151	$ -
LIABILITIES				
Due to depositories	$ -	$ 38,856,151	$ 38,856,151	$ -
Total liabilities	$ -	$ 38,856,151	$ 38,856,151	$ -
EMPLOYEES INSURANCE CONTRIBUTIONS AND WITHHOLDINGS FUND				
ASSETS				
Cash	$ 832	$ 98,486,199	$ 98,487,031	$ -
Accounts receivable	3,260	228	3,260	228
Total assets	$ 4,092	$ 98,486,427	$ 98,490,291	$ 228
LIABILITIES				
Due to depositories	$ 1,854	$ 98,486,199	$ 98,488,053	$ -
Interfund payable	2,238	228	2,238	228
Total liabilities	$ 4,092	$ 98,486,427	$ 98,490,291	$ 228

See Independent Auditors' Report.

Continued on next page ---->

STATE OF VERMONT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Balance June 30, 2009	Additions	Deductions	Balance June 30, 2010
EMPLOYEES DEFERRED INCOME WITHHOLDINGS FUND				
ASSETS				
Cash	$ -	$ 14,809,442	$ 14,809,442	$ -
Accounts receivable	182	348	182	348
Total assets	$ 182	$ 14,809,790	$ 14,809,624	$ 348
LIABILITIES				
Due to depositories	$ -	$ 14,809,442	$ 14,809,442	$ -
Interfund payable	182	348	182	348
Total liabilities	$ 182	$ 14,809,790	$ 14,809,624	$ 348
OTHER EMPLOYEE CONTRIBUTIONS AND WITHHOLDINGS FUND				
ASSETS				
Cash	$ 60,220	$ 8,995,275	$ 9,013,167	$ 42,328
Accounts receivable	32,530	102,823	32,530	102,823
Total assets	$ 92,750	$ 9,098,098	$ 9,045,697	$ 145,151
LIABILITIES				
Due to depositories	$ 61,541	$ 8,996,334	$ 9,014,487	$ 43,388
Interfund payable	31,209	101,764	31,210	101,763
Total liabilities	$ 92,750	$ 9,098,098	$ 9,045,697	$ 145,151
VENDOR AND OTHER DEPOSITS FUND				
ASSETS				
Cash	$ 7,256,558	$ 37,191,023	$ 40,235,124	$ 4,212,457
Taxes receivable	1,682,741	1,630,842	1,682,741	1,630,842
Accounts receivable	118,941	620,294	606,895	132,340
Total assets	$ 9,058,240	$ 39,442,159	$ 42,524,760	$ 5,975,639
LIABILITIES				
Amounts held in custody for others	$ 1,960,477	$ 11,153,246	$ 11,148,457	$ 1,965,266
Intergovernmental payable other governments	5,767,317	22,649,779	25,316,192	3,100,904
Other liabilities	1,279,614	5,262,151	5,749,864	791,901
Interfund payable	50,832	117,568	50,832	117,568
Total liabilities	$ 9,058,240	$ 39,182,744	$ 42,265,345	$ 5,975,639
CHILD SUPPORT COLLECTIONS FUND				
ASSETS				
Cash	$ 1,009,461	$ 56,378,173	$ 56,165,556	$ 1,222,078
Total assets	$ 1,009,461	$ 56,378,173	$ 56,165,556	$ 1,222,078
LIABILITIES				
Amount held in custody for others	$ 1,009,461	$ 56,378,173	$ 56,165,556	$ 1,222,078
Total liabilities	$ 1,009,461	$ 56,378,173	$ 56,165,556	$ 1,222,078
TOTALS - ALL AGENCY FUNDS				
ASSETS				
Cash	$ 8,336,096	$ 456,553,116	$ 459,394,808	$ 5,494,404
Accounts receivable	175,258	743,289	663,212	255,335
Taxes receivable	1,682,741	1,630,842	1,682,741	1,630,842
Total assets	**$ 10,194,095**	**$ 458,927,247**	**$ 461,740,761**	**$ 7,380,581**
LIABILITIES				
Due to depositories	$ 72,420	$ 362,984,979	$ 362,996,470	$ 60,929
Amounts held in custody for others	2,969,938	67,531,419	67,314,013	3,187,344
Intergovernmental payable other governments	5,767,317	22,649,779	25,316,192	3,100,904
Other liabilities	1,279,614	5,262,151	5,749,864	791,901
Interfund payable	104,806	239,504	104,807	239,503
Total liabilities	**$ 10,194,095**	**$ 458,667,832**	**$ 461,481,346**	**$ 7,380,581**

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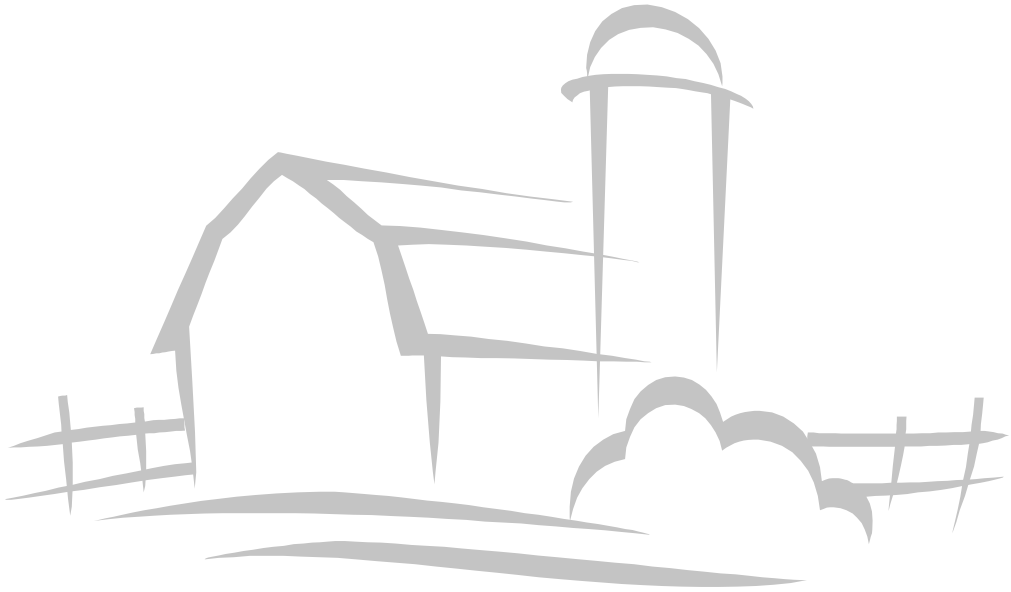

Vermont

Vermont Economic Development Authority – This is a tax-exempt entity whose purpose is to promote economic prosperity within the State of Vermont by providing capital and direct financing to eligible borrowers.

Vermont Housing & Conservation Board – This is a not for profit entity whose mission is to create affordable housing for Vermonters and to conserve and protect agricultural, historic, natural and recreational sites within Vermont.

Vermont Sustainable Jobs Fund – This is a not for profit entity set up to implement a jobs program.

Vermont Municipal Bond Bank – The Bond Bank's purpose is to create large bond issues on behalf of the States' municipalities and loan the proceeds back to the participating municipalities.

Vermont Educational and Health Buildings Financing Agency – This purpose of this agency is to provide tax -exempt financing to libraries, educational and healthcare providers to assist in the purchase and construction of real and personal property.

Vermont Center for Geographic Information, Inc. – This not for profit organization was created to implement and maintain a geographic information system.

Vermont Veterans' Home – The Vet's home provides care to those that have given to their country and the State of Vermont.

Vermont Rehabilitation Corporation – This not for profit organization's purpose is to provide funding to farmers to reduce their investment costs in an effort to help them be successful.

Vermont Film Corporation - This is a non-profit public corporation, created for the purpose of promoting the state as a location for commercial film and television production, and to facilitate the participation of local individuals and companies in such productions.

STATE OF VERMONT
COMBINING STATEMENT OF NET ASSETS
DISCRETELY PRESENTED NON-MAJOR COMPONENT UNITS
June 30, 2010

ASSETS	Vermont Economic Development Authority 06/30/2010	Vermont Housing & Conservation Board 06/30/2010	Vermont Sustainable Jobs Fund 06/30/2010	Vermont Municipal Bond Bank 12/31/2009	Vermont Educational and Health Buildings Financing Agency 12/31/2009
Current Assets:					
Cash and cash equivalents	$ 1,904,867	$ 7,095,887	$ 261,215	$ 2,534,819	$ 1,231,387
Investments	2,395,559	-	-	10,116,550	-
Accounts receivable (net)	-	-	127,911	69,547	-
Accrued interest receivable - loans	163,192	17,894,579	-	2,131,999	-
Loans and notes receivable - current portion	10,429,833	587,822	-	41,125,470	-
Other receivables	-	69,540	97,234	-	-
Due from federal government	-	21,838,945	-	-	-
Due from primary government	-	3,817,695	-	-	-
Inventories (at cost)	-	-	-	-	-
Other current assets and deferred outflows	1,300,185	-	3,748	-	-
Total current assets	**16,193,636**	**51,304,468**	**490,108**	**55,978,385**	**1,231,387**
Restricted and Non-Current Assets:					
Cash	274,849	-	-	670,790	-
Investments	22,900,000	-	-	45,605,179	-
Deferred bond issue costs	-	-	-	5,896,430	-
Loans and notes receivable (net)	105,445,480	122,960,866	-	424,161,933	-
Other assets	-	-	-	-	-
Total restricted & noncurrent assets	**128,620,329**	**122,960,866**	**-**	**476,334,332**	**-**
Capital Assets:					
Land	250,000	-	-	-	-
Building and leasehold improvements	4,642,062	219,279	-	-	-
Equipment, furniture and fixtures	656,972	48,143	18,083	-	-
Accumulated depreciation	(696,703)	(71,190)	(12,277)	-	-
Total capital assets, net of depreciation	**4,852,331**	**196,232**	**5,806**	**-**	**-**
Total assets	**149,666,296**	**174,461,566**	**495,914**	**532,312,717**	**1,231,387**
LIABILITIES					
Current Liabilities:					
Accounts payable and accrued liabilities	566,624	254,555	41,830	12,698	24,892
Accrued interest payable	104,912	-	-	-	-
Bond interest payable	-	-	-	1,799,548	-
Unearned revenue	-	-	167,678	-	-
Other current liabilities	-	18,652,742	-	-	-
Current portion of long-term liabilities	98,983,161	-	-	45,090,524	-
Due to primary government	35,827	-	-	-	-
Escrowed cash deposits	186,389	-	-	-	-
Advances from primary government	1,450,206	-	-	-	-
Total current liabilities	**101,327,119**	**18,907,297**	**209,508**	**46,902,770**	**24,892**
Non-Current Liabilities:					
Bonds and notes payable	7,666,851	271,695	-	458,434,768	-
Accrued arbitrage rebate	-	-	-	327,216	-
Other liabilities	401,879	-	-	-	-
Total non-current liabilities	**8,068,730**	**271,695**	**-**	**458,761,984**	**-**
Total liabilities	**109,395,849**	**19,178,992**	**209,508**	**505,664,754**	**24,892**
NET ASSETS					
Invested in capital assets, net of related debt	1,651,454	196,232	-	-	-
Restricted	27,726,489	155,082,314	196,799	15,727,371	-
Unrestricted	10,892,504	4,028	89,607	10,920,592	1,206,495
Total net assets	**$ 40,270,447**	**$ 155,282,574**	**$ 286,406**	**$ 26,647,963**	**$ 1,206,495**

See Independent Auditors' Report.

Vermont Center For Geographic Information, Inc. 06/30/2010	Vermont Veterans' Home 06/30/2010	Vermont Rehabilitation Corporation 06/30/2010	Vermont Film Corporation 06/30/2010	Vermont Telecommunications Authority 06/30/2010	Total Non-major Component Units
$ 158,946	$ 2,280,937	$ 89,653	$ 89,005	$ 1,603,492	$ 17,250,208
-	-	-	-	-	12,512,109
108,518	2,082,833	-	-	-	2,388,809
-	-	7,284	-	-	20,197,054
-	-	30,268	-	-	52,173,393
-	-	-	-	-	166,774
-	13,804	-	-	-	21,852,749
-	-	-	-	-	3,817,695
-	112,796	-	-	-	112,796
30,676	-	-	-	-	1,334,609
298,140	**4,490,370**	**127,205**	**89,005**	**1,603,492**	**131,806,196**
-	-	-	-	-	945,639
-	-	-	-	-	68,505,179
-	-	-	-	-	5,896,430
-	-	99,732	-	-	652,668,011
-	5,677	-	-	-	5,677
-	**5,677**	**99,732**	**-**	**-**	**728,020,936**
-	321,468	-	-	-	571,468
-	19,972,394	-	-	-	24,833,735
124,001	3,154,066	-	-	19,054	4,020,319
(112,482)	(13,261,176)	-	-	(6,551)	(14,160,379)
11,519	**10,186,752**	**-**	**-**	**12,503**	**15,265,143**
309,659	**14,682,799**	**226,937**	**89,005**	**1,615,995**	**875,092,275**
126,372	1,754,152	-	262	52,815	2,834,200
-	-	-	-	-	104,912
-	-	-	-	-	1,799,548
373	7,299	-	100,000	-	275,350
-	68,178	-	-	-	18,720,920
-	-	-	-	-	144,073,685
-	-	-	-	-	35,827
-	-	-	-	-	186,389
-	-	-	-	-	1,450,206
126,745	**1,829,629**	**-**	**100,262**	**52,815**	**169,481,037**
-	-	-	-	-	466,373,314
-	-	-	-	-	327,216
-	5,224	-	-	-	407,103
-	**5,224**	**-**	**-**	**-**	**467,107,633**
126,745	**1,834,853**	**-**	**100,262**	**52,815**	**636,588,670**
-	10,186,752	-	-	12,503	12,046,941
-	-	-	-	1,048,824	199,781,797
182,914	2,661,194	226,937	(11,257)	501,853	26,674,867
$ 182,914	**$ 12,847,946**	**$ 226,937**	**$ (11,257)**	**$ 1,563,180**	**$ 238,503,605**

STATE OF VERMONT
COMBINING STATEMENT OF ACTIVITIES
NON-MAJOR COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2010

	Vermont Economic Development Authority 06/30/2010	Vermont Housing & Conservation Board 06/30/2010	Vermont Sustainable Jobs Fund 06/30/2010	Vermont Municipal Bond Bank 12/31/2009	Vermont Educational and Health Buildings Financing Agency 12/31/2009
Expenses:					
Salaries and benefits	$ 2,499,353	$ 1,999,725	$ 296,403	$ 83,267	$ 47,783
Other expenses	2,435,423	10,936,051	1,064,281	22,651,677	173,141
Depreciation	201,414	15,886	-	-	-
Interest on debt	1,136,793	-	-	23,368	-
Total expenses	6,272,983	12,951,662	1,360,684	22,758,312	220,924
Program Revenues:					
Charges for services	6,499,138	-	15,275	22,662,816	178,110
Operating grants and contributions	5,888,351	12,714,300	1,513,877	-	-
Capital grants and contributions	-	4,949,182	-	-	-
Total program revenues	12,387,489	17,663,482	1,529,152	22,662,816	178,110
Net revenue (expense)	6,114,506	4,711,820	168,468	(95,496)	(42,814)
General Revenues:					
Property transfer tax	-	6,101,662	-	-	-
Investment income	643,313	1,810,686	-	-	2,867
Miscellaneous	-	102,379	-	-	-
Total general revenues	643,313	8,014,727	-	-	2,867
Changes in net assets	6,757,819	12,726,547	168,468	(95,496)	(39,947)
Net assets - beginning, restated	33,512,628	142,556,027	117,938	26,743,459	1,246,442
Net assets - ending	$ 40,270,447	$ 155,282,574	$ 286,406	$ 26,647,963	$ 1,206,495

See Independent Auditors' Report.

Vermont Center For Geographic Information, Inc. 06/30/2010	Vermont Veterans' Home 06/30/2010	Vermont Rehabilitation Corporation 06/30/2010	Vermont Film Corporation 06/30/2010	Vermont Telecommunications Authority 06/30/2010	Total Non-major Component Units
$ 495,114	$ 13,340,074	$ -	$ 159,795	$ 493,468	$ 19,414,982
347,468	4,490,757	-	23,758	803,932	42,926,488
20,768	740,892	-	-	2,810	981,770
-	-	-	-	-	1,160,161
863,350	18,571,723	-	183,553	1,300,210	64,483,401
497,306	16,119,636	-	171,500	-	46,143,781
408,700	895,755	-	-	2,666,206	24,087,189
-	1,693,081	-	-	-	6,642,263
906,006	18,708,472	-	171,500	2,666,206	76,873,233
42,656	136,749	-	(12,053)	1,365,996	12,389,832
-	-	-	-	-	6,101,662
-	223	951	-	7,232	2,465,272
-	819,540	-	-	-	921,919
-	819,763	951	-	7,232	9,488,853
42,656	956,512	951	(12,053)	1,373,228	21,878,685
140,258	11,891,434	225,986	796	189,952	216,624,920
$ 182,914	$ 12,847,946	$ 226,937	$ (11,257)	$ 1,563,180	$ 238,503,605

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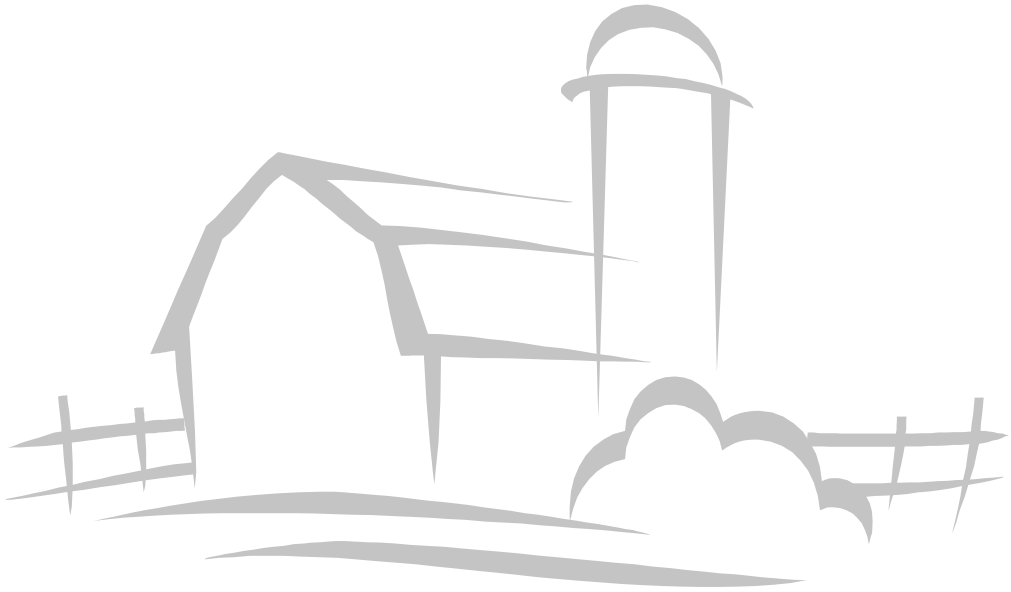

Vermont

STATISTICAL SECTION CONTENTS
JUNE 30, 2010

The Statistical Section of the Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information indicates about the State of Vermont's overall financial health. Below is a summary of the components and purpose of the tables provided in this section.

Financial Trends – Tables 1 through 4
These schedules contain trend information extracted from the State's financial statements, to help the reader understand how the State's financial performance and financial position have changed over time.

Revenue Capacity – Tables 5 through 7
These schedules contain information to help the reader assess the State's most significant revenue source – the personal income tax.

Debt Capacity – Tables 8 and 9
These schedules present information to help the reader assess the affordability of the State's current levels of outstanding debt, the State's ability to issue additional debt in the future, and related historical trend data.

Demographic and Economic Information – Tables 10 and 11
These schedules contain demographic and economic indicators to help the reader understand the environment within which the State's financial activities take place.

Operating Indicators – Tables 12 through 14
These schedules contain service levels and capital asset data to help the reader understand how the information in the State's financial report relates to the services the State provides to its citizens and visitors.

This information is unaudited.

STATE OF VERMONT

Statistical Section - Table 1

Financial Trends

Net Assets by Component, Last Nine Fiscal Years*

(accrual basis of accounting)

	2010	2009	2008
Primary Government:			
Governmental Activities			
Invested in capital assets, net of related debt	$ 1,456,845,576	$ 1,318,708,102	$ 1,245,907,690
Restricted	117,249,507	121,700,519	117,116,560
Unrestricted	(254,501,814)	(280,552,088)	(112,439,780)
Total governmental activities net assets	$ 1,319,593,269	$ 1,159,856,533	$ 1,250,584,470
Business-type Activities			
Invested in capital assets, net of related debt	$ 944,196	$ 937,241	$ 583,729
Restricted	963,433	78,451,846	169,205,810
Unrestricted	3,056,598	3,655,993	3,327,804
Total business-type activities net assets	$ 4,964,227	$ 83,045,080	$ 173,117,343
Primary Government Totals			
Invested in capital assets, net of related debt	$ 1,457,789,772	$ 1,319,645,343	$ 1,246,491,419
Restricted	118,212,940	200,152,365	286,322,370
Unrestricted	(251,445,216)	(276,896,095)	(109,111,976)
Total primary government net assets	$ 1,324,557,496	$ 1,242,901,613	$ 1,423,701,813
Discretely Presented Component Units			
Invested in capital assets, net of related debt	$ 139,622,702	$ 190,955,283	$ 171,918,414
Restricted	728,750,550	610,237,496	605,213,884
Unrestricted	130,072,271	116,629,852	180,869,571
Total discretely presented units net assets	$ 998,445,523	$ 917,822,631	$ 958,001,869

* Net assets information is available only from 2002, when the State implemented the changes required under Governmental Accounting Standards Board Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments."

2007	2006	2005	2004	2003	2002
$ 1,161,200,173	$ 1,080,092,389	$ 1,055,464,625	$ 1,001,388,886	$ 928,020,928	$ 783,951,377
143,355,279	167,489,838	111,942,593	121,352,328	90,217,671	94,309,980
(27,414,383)	(85,683,901)	(69,649,499)	(67,098,959)	(169,421,307)	(52,608,139)
$ 1,277,141,069	$ 1,161,898,326	$ 1,097,757,719	$ 1,055,642,255	$ 848,817,292	$ 825,653,218
$ 412,181	$ 371,942	$ 483,635	$ 464,618	$ 533,770	$ 504,762
194,832,088	209,321,179	227,855,775	238,547,672	264,989,370	314,711,238
3,742,941	4,014,732	3,845,924	3,529,815	3,122,083	3,606,744
$ 198,987,210	$ 213,707,853	$ 232,185,334	$ 242,542,105	$ 268,645,223	$ 318,822,744
$ 1,161,612,354	$ 1,080,464,331	$ 1,055,948,260	$ 1,001,883,504	$ 928,554,698	$ 784,456,139
338,187,367	376,811,017	339,798,368	359,900,100	355,207,041	409,021,218
(23,671,442)	(81,669,169)	(65,803,575)	(63,569,144)	(166,299,224)	(49,001,395)
$ 1,476,128,279	$ 1,375,606,179	$ 1,329,943,053	$ 1,298,214,460	$ 1,117,462,515	$ 1,144,475,962
$ 165,900,933	$ 165,430,751	$ 171,458,877	$ 151,213,394	$ 154,068,373	$ 159,352,039
606,079,880	516,629,098	470,244,961	446,997,871	404,226,821	364,794,162
231,293,329	239,323,346	215,838,933	205,624,698	182,059,839	177,586,817
$ 1,003,274,142	$ 921,383,195	$ 857,542,771	$ 803,835,963	$ 740,355,033	$ 701,733,018

STATE OF VERMONT

Statistical Section - Table 2

Financial Trends

Changes in Net Assets, Last Nine Fiscal Years*

(accrual basis of accounting)

	2010	2009	2008
Governmental activities:			
Expenses:			
General government	$ 169,293,955	$ 116,802,125	$ 101,536,003
Protection to persons & property	266,916,086	280,434,303	259,691,386
Human services	1,861,516,845	1,750,910,878	1,652,680,329
Employment & training	35,774,409	29,070,744	28,020,157
General education	1,688,314,635	1,657,335,363	1,614,446,803
Natural resources	73,004,048	98,135,589	95,657,166
Commerce & community development	71,761,469	33,309,659	36,953,754
Transportation	324,660,328	308,457,417	310,701,544
Public service enterprises	2,731,930	3,894,263	4,502,606
Interest on long-term debt	18,599,135	18,713,803	19,360,558
Total expenses	**4,512,572,840**	**4,297,064,144**	**4,123,550,306**
Program revenues:			
Charges for services:			
General government	$ 22,036,719	$ 23,075,643	$ 20,973,026
Protection to persons & property	137,883,482	151,730,311	112,100,404
Human services	20,497,786	22,310,753	15,682,861
Natural resources	23,933,530	23,749,288	25,513,793
Transportation	108,228,996	81,435,147	86,370,146
Other	15,330,197	15,838,379	12,857,144
Operating grants & contributions	1,669,593,377	1,315,549,979	1,182,604,550
Capital grants & contributions	232,155,251	165,843,939	151,735,213
Total program revenues	**2,229,659,338**	**1,799,533,439**	**1,607,837,137**
Total governmental activities net program expense	**(2,282,913,502)**	**(2,497,530,705)**	**(2,515,713,169)**
General revenues and other changes in net assets:			
Taxes:			
Personal and corporate income	$ 563,170,233	$ 572,032,043	$ 698,304,586
Sales and use	316,755,164	317,599,085	336,164,340
Meals and rooms	118,925,843	117,842,121	119,758,150
Purchase and use	69,827,603	65,861,624	79,084,039
Motor fuel	64,061,447	64,303,367	65,080,036
Statewide property	909,758,090	876,407,774	798,904,652
Other taxes	333,769,512	326,518,745	317,438,225
Unrestricted investment earnings	3,447,663	2,635,461	8,731,712
Tobacco litigation settlement	36,215,907	42,879,252	38,236,100
Miscellaneous	3,364,226	2,178,455	3,555,121
Transfers	23,354,550	21,944,841	23,899,609
Extraordinary item:			
Gain (loss) on forgiveness of debt	-	-	-
Total general revenues and other changes in net assets	**2,442,650,238**	**2,410,202,768**	**2,489,156,570**
Total governmental activities change in net assets	**$ 159,736,736**	**$ (87,327,937)**	**$ (26,556,599)**

* Changes in net assets information is available only from 2002, when the State implemented the changes required under Governmental Accounting Standards Board Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments."

2007	2006	2005	2004	2003	2002
$ 114,687,717	$ 110,054,915	$ 130,521,043	$ 98,474,432	$ 51,573,621	$ 87,431,591
255,620,540	233,163,452	213,426,040	196,013,649	186,817,842	173,208,802
1,518,969,474	1,445,867,889	1,392,265,594	1,299,865,739	1,185,924,153	1,046,568,774
24,739,704	21,154,243	20,582,854	26,290,402	27,906,916	25,972,322
1,622,441,379	1,555,673,656	1,446,411,207	1,149,533,015	1,096,988,222	1,035,750,817
85,900,684	82,814,307	78,421,902	72,892,394	69,459,648	71,367,475
31,946,826	32,251,500	35,651,341	29,862,767	33,849,108	36,782,068
307,899,295	301,625,876	269,066,282	251,788,690	236,214,373	257,519,692
1,890,030	1,994,246	1,649,863	1,898,161	1,897,774	2,001,936
20,072,137	21,046,866	19,306,820	22,590,740	26,358,563	23,549,404
3,984,167,786	**3,805,646,950**	**3,607,302,946**	**3,149,209,989**	**2,916,990,220**	**2,760,152,881**
$ 52,384,238	$ 46,748,777	$ 59,498,045	$ 44,679,001	$ 11,603,365	$ 9,699,360
115,546,052	97,700,416	78,017,142	81,275,686	79,397,311	73,459,483
14,806,660	33,474,522	20,716,612	22,778,569	30,390,548	24,892,193
23,077,637	23,868,138	24,437,759	20,829,414	18,962,892	24,057,234
86,295,037	74,645,995	69,299,051	68,373,760	63,778,498	54,870,144
7,511,061	4,789,438	4,355,367	7,762,062	7,518,156	8,780,996
1,083,831,907	1,072,041,991	1,032,577,419	1,096,788,598	935,183,708	831,069,156
167,180,872	128,657,913	130,645,583	113,007,095	116,022,645	144,363,660
1,550,633,464	**1,481,927,190**	**1,419,546,978**	**1,455,494,185**	**1,262,857,123**	**1,171,192,226**
(2,433,534,322)	**(2,323,719,760)**	**(2,187,755,968)**	**(1,693,715,804)**	**(1,654,133,097)**	**(1,588,960,655)**
$ 679,886,186	$ 612,565,565	$ 568,058,897	$ 496,301,917	$ 404,947,697	$ 429,430,661
332,314,113	327,074,633	312,395,227	264,336,818	205,205,492	217,685,005
116,888,579	111,570,407	111,979,770	109,914,847	95,354,842	100,622,918
80,590,615	80,987,232	84,046,573	86,363,011	82,089,177	79,455,165
65,426,866	67,579,632	67,334,972	68,654,068	71,257,920	69,223,434
878,714,663	813,588,165	732,330,555	487,535,603	453,868,075	424,243,836
331,016,679	317,186,837	294,257,364	329,543,672	284,253,279	236,994,926
11,285,923	7,426,303	6,664,257	3,130,140	4,602,180	4,529,099
24,985,722	24,056,870	26,205,607	25,819,716	30,545,249	31,000,098
3,431,989	2,276,594	5,875,143	7,194,789	2,446,521	2,284,384
24,235,730	23,548,129	20,722,967	19,957,578	16,582,383	16,929,798
-	-	-	-	(7,500,000)	-
2,548,777,065	**2,387,860,367**	**2,229,871,332**	**1,898,752,159**	**1,643,652,815**	**1,612,399,324**
$ 115,242,743	**$ 64,140,607**	**$ 42,115,364**	**$ 205,036,355**	**$ (10,480,282)**	**$ 23,438,669**

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STATE OF VERMONT
Statistical Section - Table 2
Financial Trends
Changes in Net Assets, Last Nine Fiscal Years*, Continued
(accrual basis of accounting)

	2010	2009	2008
Business-type activities:			
Expenses:			
Vermont Lottery Commission	$ 75,940,322	$ 74,895,581	$ 79,595,887
Liquor Control	47,058,689	46,376,992	45,311,653
Unemployment Compensation	293,674,063	214,560,736	98,955,469
Other	1,942,966	2,470,608	3,139,932
Total expenses	418,616,040	338,303,917	227,002,941
Revenues:			
Charges for services:			
Vermont Lottery Commission	97,485,333	95,982,802	102,000,627
Liquor Control	47,985,800	47,788,549	45,926,628
Unemployment Compensation	215,333,852	117,920,196	65,327,271
Other	1,737,984	2,341,468	3,027,266
Total program revenues	**362,542,969**	**264,033,015**	**216,281,792**
Total business-type activities net program expense	**(56,073,071)**	**(74,270,902)**	**(10,721,149)**
General revenues and other changes in net assets:			
Unrestricted investment earnings	1,416,971	6,034,822	8,740,362
Miscellaneous	-	-	10,529
Capital asset transfers	-	-	-
Transfers	(23,354,550)	(21,944,841)	(23,899,609)
Total other changes in net assets	(21,937,579)	(15,910,019)	(15,148,718)
Total business-type activities change in net assets	**$ (78,010,650)**	**$ (90,180,921)**	**$ (25,869,867)**
Total primary government change in net assets	**$ 81,726,086**	**$ (177,508,858)**	**$ (52,426,466)**
Component units:			
Expenses:			
Vermont Student Assistance Corporation	$ 123,148,000	$ 153,088,000	$ 199,476,000
University of Vermont & State Agricultural College	581,900,000	577,357,000	559,961,000
Vermont State Colleges	179,282,040	165,975,359	154,614,471
Vermont Housing Finance Agency	43,486,875	51,876,566	NA
Other	64,479,427	74,102,755	65,527,200
Total expenses	**992,296,342**	**1,022,399,680**	**979,578,671**
Program revenues:			
Charges for services:			
Vermont Student Assistance Corporation	$ 63,758,000	$ 82,628,000	$ 106,106,000
University of Vermont & State Agricultural College	331,072,000	314,917,000	290,105,000
Vermont State Colleges	111,308,125	105,179,309	95,771,945
Vermont Housing Finance Agency	1,121,336	727,525	
Other	46,143,781	44,076,498	45,210,709
Operating grants & contributions	372,491,738	337,110,213	344,597,739
Capital grants & contributions	59,242,779	11,847,096	14,506,269
Total program revenues	**985,137,759**	**896,485,641**	**896,297,662**
Total component units net program expense	**(7,158,583)**	**(125,914,039)**	**(83,281,009)**
General revenues and other changes in net assets:			
Taxes	$ 6,101,662	$ 12,464,095	$ 15,483,258
Unrestricted investment earnings	49,250,294	(13,249,494)	19,392,520
Other	32,380,692	2,262,658	2,048,258
Extraordinary Items:			
Gain (loss) on forgiveness of debt	-	-	-
Loss on extinguishment of debt	-	-	-
Total general revenues and other changes in net assets	**87,732,648**	**1,477,259**	**36,924,036**
Total component units change in net assets	**$ 80,574,065**	**$ (124,436,780)**	**$ (46,356,973)**

2007	2006	2005	2004	2003	2002
$ 81,224,645	$ 82,262,856	$ 71,719,711	$ 72,319,680	$ 63,650,809	$ 65,590,029
43,186,763	40,511,410	38,155,229	36,236,080	34,357,279	33,311,074
94,396,459	85,483,130	79,967,905	99,549,897	130,315,726	88,557,267
2,936,606	2,948,294	3,872,621	2,726,827	3,026,310	2,823,430
221,744,473	211,205,690	193,715,466	210,832,484	231,350,124	190,281,800
104,550,857	104,878,624	92,599,609	92,389,082	79,412,447	82,000,455
43,994,124	41,480,297	39,209,269	36,665,547	34,254,147	33,118,564
70,821,223	57,428,204	57,249,620	58,540,541	63,633,038	66,441,794
2,598,672	2,648,873	2,919,253	2,603,675	2,920,076	2,825,694
221,964,876	**206,435,998**	**191,977,751**	**190,198,845**	**180,219,708**	**184,386,507**
220,403	**(4,769,692)**	**(1,737,715)**	**(20,633,639)**	**(51,130,416)**	**(5,895,293)**
9,286,126	9,831,999	12,388,648	14,502,200	18,011,637	19,964,380
8,558	8,341	(274,809)	15,899	2,646	295
-	-	(39,928)	-	-	-
(24,235,730)	(23,548,129)	(20,722,967)	(19,957,578)	(16,582,383)	(16,929,798)
(14,941,046)	(13,707,789)	(8,649,056)	(5,439,479)	1,431,900	3,034,877
$ (14,720,643)	**$ (18,477,481)**	**$ (10,386,771)**	**$ (26,073,118)**	**$ (49,698,516)**	**$ (2,860,416)**
$ 100,522,100	**$ 45,663,126**	**$ 31,728,593**	**$ 178,963,237**	**$ (60,178,798)**	**$ 20,578,253**
$ 176,918,000	$ 154,884,000	$ 130,083,000	$ 94,333,000	$ 93,829,000	$ 99,644,000
505,403,000	453,127,000	423,317,000	406,661,000	379,503,000	345,610,000
141,662,574	135,102,593	125,540,113	118,800,228	106,498,224	100,250,838
NA	NA	NA	NA	NA	NA
70,645,626	61,848,235	58,683,189	61,499,406	61,389,984	59,012,629
894,629,200	**804,961,828**	**737,623,302**	**681,293,634**	**641,220,208**	**604,517,467**
$ 106,540,000	$ 84,537,000	$ 65,044,000	$ 59,562,000	$ 57,775,000	$ 60,200,000
262,342,000	241,837,000	215,925,000	201,196,000	182,705,000	178,577,000
91,035,108	83,360,619	76,556,436	69,421,442	58,679,187	57,995,029
44,385,811	41,440,876	41,326,019	37,404,981	37,123,566	32,725,161
343,609,242	335,394,901	317,304,332	302,914,264	285,898,126	262,975,790
19,093,518	10,651,167	16,618,040	9,857,101	12,349,755	10,038,000
867,005,679	**797,221,563**	**732,773,827**	**680,355,788**	**634,530,634**	**602,510,980**
(27,623,521)	**(7,740,265)**	**(4,849,475)**	**(937,846)**	**(6,689,574)**	**(2,006,487)**
$ 13,763,883	$ 15,671,180	$ 12,604,000	$ 12,604,000	$ 11,088,000	$ 11,088,000
93,754,115	55,017,880	45,836,899	53,154,281	27,195,488	5,910,584
1,504,400	891,629	65,384	205,240	62,323	-
-	-	-	-	7,500,000	-
-	-	-	-	(755,815)	-
109,022,398	**71,580,689**	**58,506,283**	**65,963,521**	**45,089,996**	**16,998,584**
$ 81,398,877	**$ 63,840,424**	**$ 53,656,808**	**$ 65,025,675**	**$ 38,400,422**	**$ 14,992,097**

STATE OF VERMONT

Statistical Section - Table 3

Financial Trends

Fund Balances, Governmental Funds*

Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year			
	2010	**2009**	**2008**	**2007**
General Fund				
Reserved	$ 67,159,069	$ 103,186,450	$ 101,264,674	$ 94,972,963
Unreserved	72,503,325	46,713,340	54,458,250	68,056,829
Total General Fund	$ 139,662,394	$ 149,899,790	$ 155,722,924	$ 163,029,792
All Other Governmental Funds				
Reserved	$ 78,691,743	$ 71,115,109	$ 75,076,011	$ 70,650,210
Unreserved, reported in:				
Special revenue funds	215,804,391	98,211,563	145,880,785	160,165,603
Capital projects funds	21,849,642	24,758,177	32,616,541	26,294,481
Permanent funds	12,389,282	11,899,617	11,269,155	11,546,644
Total all other governmental funds	$ 328,735,058	$ 205,984,466	$ 264,842,492	$ 268,656,938

* Governmental Accounting Standards Board Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments," was implemented by the State in fiscal year 2002. Permanent funds and certain special revenue funds were reported as fiduciary trust funds prior to this implementation. Amounts for fiscal years 2001 and earlier have not been restated to reclassify these funds.

Fiscal Year					
2006	2005	2004	2003	2002	2001
$ 93,133,111	$ 95,058,522	$ 92,751,312	$ 52,690,713	$ 51,695,723	$ 86,174,465
68,316,939	68,609,646	61,974,484	47,061,962	97,898,194	86,583,269
$ 161,450,050	$ 163,668,168	$ 154,725,796	$ 99,752,675	$ 149,593,917	$ 172,757,734
$ 79,807,902	$ 63,821,409	$ 61,817,802	$ 46,533,226	$ 54,367,194	$ 35,353,352
156,102,410	127,908,578	143,967,418	66,061,162	82,458,887	94,681,498
22,096,858	20,816,577	36,362,811	37,299,263	51,798,769	22,363,376
9,636,760	4,413,943	1,790,948	1,705,584	1,518,780	-
$ 267,643,930	$ 216,960,507	$ 243,938,979	$ 151,599,235	$ 190,143,630	$ 152,398,226

STATE OF VERMONT

Statistical Section - Table 4
Financial Trends
Changes in Fund Balances, Governmental Funds*
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	2010	**2009**	**2008**	**2007**
REVENUES:				
Taxes	$ 2,370,547,171	$ 2,372,150,204	$ 2,409,100,087	$ 2,460,570,749
Fees	85,051,640	82,561,339	61,444,288	70,221,353
Sales of services, rents and leases	21,002,445	23,722,649	17,697,138	13,723,675
Federal grants	1,926,852,567	1,426,346,971	1,317,932,182	1,243,957,617
Fines, forfeits and penalties	21,445,932	27,088,809	21,971,622	19,315,425
Investment income	5,552,604	4,055,855	11,993,621	17,316,519
Licenses	102,449,404	94,517,297	96,079,069	92,593,084
Special assessments	65,674,929	59,196,268	44,802,264	29,062,116
Other revenues	79,185,034	86,114,619	80,021,482	71,338,330
Total revenues	**4,677,761,726**	**4,175,754,011**	**4,061,041,753**	**4,018,098,868**
EXPENDITURES:				
General government	139,166,057	96,344,387	85,545,323	66,604,950
Protection to persons and property	265,367,493	265,401,642	250,028,181	247,732,080
Human services	1,857,821,549	1,717,878,426	1,637,939,588	1,521,057,433
Employment and training	19,780,498	13,564,620	27,056,304	24,487,881
General education	1,623,796,313	1,583,190,794	1,533,339,872	1,609,653,282
Natural resources	95,142,038	111,566,943	97,320,555	97,456,248
Commerce and community development	70,515,365	19,941,208	35,464,540	30,607,512
Transportation	448,046,969	379,343,998	369,814,833	379,347,072
Public service enterprises	2,731,930	3,892,835	4,501,715	1,890,030
Capital outlay	73,583,737	56,289,447	37,208,418	37,034,547
Debt service:				
Interest	22,727,153	23,369,012	22,083,473	23,032,806
Principal	48,015,479	48,090,039	46,614,556	46,097,158
Total expenditures	**4,666,694,581**	**4,318,873,351**	**4,146,917,358**	**4,085,000,999**
Excess of revenues over (under) expenditures	**11,067,145**	**(143,119,340)**	**(85,875,605)**	**(66,902,131)**
Other financing sources (uses):				
Proceeds from the sale of bonds	72,000,000	50,500,000	46,000,000	44,500,000
Proceeds from the sale of refunding bonds	42,309,790	-	29,195,000	-
Premium on sale of bonds	1,457,288	1,850,421	798,046	305,058
Payment to bond escrow agent	(42,229,514)	-	(29,375,437)	-
Premium on sale of short-term notes	-	-	-	-
Transfers in	1,332,245,675	1,328,984,568	1,212,740,225	1,092,592,826
Transfers out	(1,304,333,149)	(1,302,896,809)	(1,184,603,543)	(1,067,903,003)
Total other financing sources (uses)	**101,450,090**	**78,438,180**	**74,754,291**	**69,494,881**
Extraordinary item:				
Loss on forgiveness of debt	-	-	-	-
Net change in fund balances	**$ 112,517,235**	**$ (64,681,160)**	**$ (11,121,314)**	**$ 2,592,750**
Debt service as a percentage of noncapital expenditures*	1.54%	1.72%	1.72%	1.77%

* The State implemented Governmental Accounting Standards Board Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments," in fiscal year 2002. Prior to this, the State did not maintain information necessary for computing debt service as a percentage of noncapital expenditures in the governmental funds. Additionally, prior to fiscal year 2002, certain special revenue funds and the permanent funds were reported as fiduciary funds; amounts for years prior to 2002 have not been restated to include data for those funds in this table.

Fiscal Year					
2006	2005	2004	2003	2002	2001
$ 2,337,341,048	$ 2,160,130,972	$ 1,831,301,567	$ 1,615,244,889	$ 1,600,725,756	$ 1,590,021,858
52,813,029	58,290,625	46,613,828	47,770,289	36,708,774	36,193,167
13,455,255	13,250,908	14,211,562	14,031,691	15,613,693	11,044,242
1,195,618,641	1,149,686,863	1,195,394,472	1,036,188,776	964,141,863	849,190,708
19,172,068	19,382,893	22,136,295	15,150,570	14,209,581	9,449,787
11,468,734	7,905,566	4,579,721	5,561,830	6,883,583	12,813,248
82,772,243	79,897,287	78,413,620	71,827,369	66,126,632	70,037,167
27,320,199	25,154,296	25,865,976	22,454,287	21,629,014	12,797,215
58,327,506	69,137,334	77,710,776	85,137,810	78,526,877	43,052,988
3,798,288,723	**3,582,836,744**	**3,296,227,817**	**2,913,367,511**	**2,804,565,773**	**2,634,600,380**
63,454,504	69,637,852	59,420,753	56,610,063	71,394,584	91,208,675
227,084,839	222,239,431	200,556,219	184,257,770	174,438,289	141,541,764
1,433,190,205	1,397,574,415	1,298,524,173	1,200,628,758	1,064,306,490	910,389,884
21,090,488	20,946,037	26,193,011	27,904,668	26,285,028	25,999,908
1,513,711,838	1,414,259,100	1,119,927,687	1,067,249,406	1,021,058,900	894,781,354
93,672,918	82,298,019	76,194,919	84,602,070	86,309,386	86,780,546
30,842,981	35,026,161	28,628,106	32,963,605	34,094,561	34,941,291
321,421,189	310,061,273	289,728,406	284,978,570	311,109,113	294,277,972
1,994,246	1,649,863	1,898,161	1,897,774	2,001,936	1,257,308
43,062,733	52,773,840	41,195,540	40,702,096	34,727,809	12,132,666
21,958,988	22,004,546	27,213,333	23,687,879	23,804,098	23,310,944
45,272,088	45,348,153	43,620,613	49,526,115	45,410,549	50,585,000
3,816,757,017	**3,673,818,690**	**3,213,100,921**	**3,055,008,774**	**2,894,940,743**	**2,567,207,312**
(18,468,294)	**(90,981,946)**	**83,126,896**	**(141,641,263)**	**(90,374,970)**	**67,393,068**
45,000,000	41,000,000	42,200,000	35,800,000	51,000,000	-
-	23,267,099	146,554,448	31,555,000	-	-
744,195	93,445	1,838,750	2,413,804	123,348	-
-	(22,431,596)	(146,071,943)	(33,778,426)	-	-
-	-	-	678,750	-	-
1,155,078,201	478,209,945	438,309,704	401,290,002	347,614,574	357,861,384
(1,133,888,797)	(447,193,047)	(418,644,990)	(382,222,560)	(326,202,917)	(422,024,569)
66,933,599	**72,945,846**	**64,185,969**	**55,736,570**	**72,535,005**	**(64,163,185)**
-	-	-	(2,204,948)	-	-
$ 48,465,305	**$ (18,036,100)**	**$ 147,312,865**	**$ (88,109,641)**	**$ (17,839,965)**	**$ 3,229,883**
1.83%	1.91%	2.31%	2.59%	2.49%	not available

STATE OF VERMONT
Statistical Section - Table 5
Revenue Capacity
Personal Income and Earnings by Major Industry
Last Ten Calendar Years
(Expressed in Thousands)

	2010 (1)	2009	2008	2007
Total personal income	**$ 24,650,000**	**$ 24,261,430**	**$ 24,367,579**	**$ 23,584,834**
Earnings	16,609,000	16,526,152	16,894,654	16,641,106
Farm earnings	173,000	118,987	171,604	217,192
Non-farm earnings	16,436,000	16,407,165	16,723,050	16,423,914
Private earnings	13,285,000	13,202,578	13,615,365	13,478,890
Forestry, fishing, related activities	76,000	69,586	66,915	71,732
Mining	52,000	52,797	57,464	58,154
Utilities	248,000	234,846	226,606	211,262
Construction	1,096,000	1,064,016	1,224,052	1,329,943
Manufacturing	2,086,000	2,138,788	2,294,205	2,274,165
Durable goods	1,557,000	1,627,363	1,763,490	1,754,690
Nondurable goods	529,000	511,425	530,715	519,475
Wholesale trade	658,000	659,107	676,033	664,111
Retail trade	1,340,000	1,316,524	1,368,030	1,377,162
Transportation and warehousing	401,000	390,015	405,406	396,274
Information	330,000	331,369	337,502	333,974
Finance and insurance	734,000	743,748	788,028	782,036
Real estate and rental and leasing	167,000	176,026	180,562	177,915
Professional and technical services	1,281,000	1,279,017	1,301,025	1,224,877
Management of companies and enterprises	46,000	23,600	14,842	12,902
Administrative and waste services	361,000	364,152	391,389	374,079
Education services	531,000	542,693	526,705	495,636
Healthcare and social assistance	2,467,000	2,422,606	2,323,200	2,200,200
Arts, entertainment, and recreation	144,000	141,922	144,024	144,256
Accommodation and food services	685,000	671,093	691,853	716,054
Other services, except public administration	582,000	580,673	597,524	634,158
Government and government enterprises	3,151,000	3,204,587	3,107,685	2,945,024
Federal, civilian	632,000	609,686	575,167	535,648
Military	208,000	209,839	182,887	158,788
State and local	2,311,000	2,385,062	2,349,631	2,250,588
State	N/A	1,004,832	1,019,119	967,165
Local	N/A	1,380,230	1,330,512	1,283,423
Other personal income (2)	8,041,000	7,735,278	7,472,925	6,943,728
Average effective tax rate (4)	NA	2.09%	2.26%	2.49%

(1) Data for 2010 are projected annual estimates based on information through 2010 second quarter.
(2) Includes non-earned income, such as interest and dividends, rental income, and government transfers to individuals.
(3) Data for this category is not reported, but estimates are included in totals.
(4) Total direct tax rate is not available. Average effective tax rate equals personal income tax collections (see Statistical Section Table 6) divided by total personal income. Source of collections data: Vermont Department of Taxes

Source: U.S. Department of Commerce, Bureau of Economic Analysis

2006	2005	2004	2003	2002	2001
$ 22,341,107	**$ 20,696,717**	**$ 20,234,033**	**$ 19,129,031**	**$ 18,459,720**	**$ 17,741,649**
16,209,792	15,604,465	15,058,428	14,164,416	13,606,956	12,836,041
118,967	200,205	190,269	145,052	112,985	144,132
16,090,825	15,404,260	14,868,159	14,019,364	13,493,971	12,691,909
13,238,000	12,665,189	12,276,011	11,584,570	11,252,366	10,615,549
68,742	65,246	65,014	63,919	67,470	81,546
58,027	39,253	41,761	42,300	41,980	56,394
204,133	190,808	191,118	166,481	166,755	173,022
1,384,515	1,285,834	1,241,858	1,127,566	1,077,969	873,099
2,219,880	2,207,583	2,163,479	2,131,815	2,209,861	2,444,748
1,708,263	1,695,901	1,655,889	1,632,028	1,713,910	1,874,462
511,617	511,682	507,590	499,787	495,951	570,286
645,792	608,201	592,574	579,787	550,632	513,671
1,382,141	1,360,249	1,316,921	1,253,146	1,200,697	1,105,382
397,537	392,375	377,651	349,083	342,038	303,475
327,035	325,381	328,028	318,081	(3)	308,245
739,131	713,348	680,963	668,380	626,558	599,022
202,756	215,215	219,464	203,610	207,403	187,050
1,220,683	1,079,625	1,014,508	937,569	890,749	893,740
13,676	22,934	21,207	19,875	19,212	19,085
372,252	354,077	348,224	305,073	301,763	271,335
483,037	453,851	447,378	402,999	387,948	345,156
2,068,180	1,941,376	1,844,917	1,729,302	1,619,061	1,418,212
140,271	129,705	129,032	114,681	107,432	104,585
675,177	668,308	663,212	628,827	601,884	535,780
635,035	611,820	588,702	542,076	(3)	382,002
2,852,825	2,739,071	2,592,148	2,434,794	2,241,605	2,076,360
518,821	503,975	489,482	443,828	409,419	377,833
152,450	164,108	149,139	139,802	98,065	79,440
2,181,554	2,070,988	1,953,527	1,851,164	1,734,121	1,619,087
936,489	884,420	833,564	781,997	739,622	693,004
1,245,065	1,186,568	1,119,963	1,069,167	994,499	926,083
6,131,315	5,092,252	5,175,605	4,964,615	4,852,764	4,905,608
2.48%	2.45%	2.29%	2.17%	2.17%	2.26%

STATE OF VERMONT
Statistical Section - Table 6
Revenue Capacity
Personal Income Tax Rates and Tax Collections
Last Ten Calendar Years

Calendar Year		Tax Rates for Taxable Income Within Range, Single Filing Status (1) 3.6%	7.0%	8.3%	8.9%	9.4%	Tax Collections (000s)	Personal Income (3) (000s)	Average Effective Tax Rate
2009		$0 - $33,950	$33,951 - $82,250	$82,251 - $171,550	$171,551 - $372,950	> $372,950	$ 506,943	$ 24,261,430	2.09%
2008		$0 - $32,550	$32,551 - $78,850	$78,851 - $164,550	$164,551 - $357,700	> $357,700	$ 549,948	$ 24,367,579	2.26%
2007		$0 - $31,850	$31,851 - $77,100	$77,101 - $160,850	$160,851 - $349,700	> $349,700	$ 588,173	$ 23,584,834	2.49%
2006		$0 - $30,650	$30,651 - $74,200	$74,201 - $154,800	$154,801 - $336,550	> $336,550	$ 553,846	$ 22,341,107	2.48%
2005		$0 - $29,700	$29,701 - $71,950	$71,951 - $150,150	$150,151 - $326,450	> $326,450	$ 507,701	$ 20,696,717	2.45%
2004		$0 - $29,050	$29,051 - $70,350	$70,351 - $146,750	$146,751 - $319,100	> $319,100	$ 463,755	$ 20,234,033	2.29%
2003		$0 - $28,400	$28,401 - $68,800	$68,801 - $143,500	$143,501 - $311,950	> $311,950	$ 415,020	$ 19,129,031	2.17%
2002		$0 - $27,950	$27,951 - $67,700	$67,701 - $141,250	$141,251 - $307,050	> $307,050	$ 400,120	$ 18,459,720	2.17%
2001	(2)	$0 - $27,050	$27,051 - $65,550	$65,551 - $136,750	$136,751 - $297,350	> $297,350	$ 400,522	$ 17,741,649	2.26%
2000	(4)						$ 420,355	$ 16,883,009	2.49%

(1) Different taxable income ranges apply to these rates for other filing statuses, including Married Filing Jointly, Married Filing Separately, Head of Household, etc.

(2) For 2001, the tax rates applied to the five income ranges for single status filers were 3.6%, 6.72%, 7.44%, 8.64%, and 9.5%, respectively.

(3) See Statistical Section Table 5 for additional detail regarding personal income.

(4) Prior to 2001, the State's personal income tax rate was a percentage of the filer's individual federal income tax liability, rather than being a separate rate applied to Vermont taxable income. These percentages were as follows: for 2000, 24% of federal taxes; for 1999 and prior, 25% of federal taxes.

Source: Vermont Department of Taxes

STATE OF VERMONT
Statistical Section - Table 7
Revenue Capacity
Personal Income Tax Filers and Liability by Income Level
Calendar Years 2009 and 2000

Calendar Year 2009[1]

Income Level	Number of Filers	Percentage of Total Filers	State Taxable Income [2]	State Personal Income Tax (net) [3]	Percentage of Total State
$300,000 and higher	1,945	0.55%	$ 1,445,635,168	$ 106,143,851	20.94%
$150,000 - $299,999	5,048	1.43%	1,001,056,351	59,721,451	11.78%
$100,000 - $149,999	9,242	2.62%	1,106,572,958	57,035,904	11.25%
$75,000 - $99,999	13,662	3.88%	1,170,954,245	53,982,858	10.65%
$50,000 - $74,999	30,655	8.70%	1,869,535,319	73,728,852	14.54%
$25,000 - $49,999	60,205	17.08%	2,174,704,648	77,515,153	15.29%
$10,000 - $24,999	59,165	16.78%	1,011,549,259	34,579,938	6.82%
$9,999 and lower	124,768	35.39%	245,161,493	8,447,999	1.67%
Out of State	47,840	13.57%	15,336,591,071	35,786,503	7.06%
Totals	352,530	100.00%	$ 25,361,760,512	$ 506,942,509	100.00%

Calendar Year 2000

Income Level	Number of Filers	Percentage of Total Filers	State Taxable Income [2]	State Personal Income Tax (net) [3]	Percentage of Total State
$300,000 and higher	1,630	0.50%	$ 1,254,725,613	$ 75,694,138	18.01%
$150,000 - $299,999	3,563	1.09%	724,089,242	41,586,471	9.89%
$100,000 - $149,999	5,766	1.76%	692,311,438	35,661,590	8.48%
$75,000 - $99,999	8,237	2.51%	705,873,441	33,893,223	8.06%
$50,000 - $74,999	23,616	7.19%	1,422,272,029	61,001,314	14.51%
$25,000 - $49,999	60,657	18.48%	2,176,656,440	79,594,847	18.95%
$10,000 - $24,999	66,404	20.23%	1,128,273,909	38,850,512	9.24%
$9,999 and lower	114,227	34.80%	293,032,101	12,363,268	2.94%
Out of State	44,212	13.47%	6,632,869,442	41,709,501	9.92%
Totals	328,312	100.03%	$ 15,030,103,655	$ 420,354,864	100.00%

[1] Information for Tax Year 2009 is preliminary data for returns processed through November 14, 2010.

[2] State Taxable Income is the total taxable income reported on line 15 of tax returns for an income class.

[3] State Personal Income Tax is net of taxable income adjustments, Vermont credits and other tax credits.

Source: Vermont Department of Taxes

STATE OF VERMONT

Statistical Section - Table 8

Debt Capacity

Ratios of Outstanding Debt by Type, Last Ten Years

(Expressed in Thousands, Except Per Capita)

Fiscal Year	Governmental Activities				Total Primary Government	Ratio of Debt to Personal Income (2)	Debt Per Capita (3)
	General Obligation Current Interest Bonds	General Obligation Capital Appreciation Bonds (1)	Total General Obligation Bonds	Capital Leases			
2010	$ 459,935	$ 12,856	$ 472,791	$ 4,820	$ 477,611	1.94%	**N/A**
2009	433,975	19,007	452,982	4,908	457,890	1.89%	$ 736
2008	429,360	25,110	454,470	384	454,854	1.87%	732
2007	426,415	30,840	457,255	600	457,855	1.94%	738
2006	425,060	36,214	461,274	741	462,015	2.07%	745
2005	422,212	41,178	463,390	694	464,084	2.24%	750
2004	423,287	45,836	469,123	-	469,123	2.32%	759
2003	422,755	51,030	473,785	-	473,785	2.48%	768
2002	430,735	55,730	486,465	-	486,465	2.64%	791
2001	420,890	59,553	480,443	-	480,443	2.71%	785

(1) Net of Unaccreted Interest

(2) See Statistical Section Table 5 for additional detail regarding personal income.

(3) See Statistical Section Table 10 for population statistics.

Note: The State has no constitutional or other limit on its power to issue obligations or incur indebtedness except for the requirement that borrowing only be for public purposes.

STATE OF VERMONT

Statistical Section - Table 9
Debt Capacity
Ratios of General Obligation Bonded Debt Outstanding
Last Ten Fiscal Years *
(Expressed in Thousands, Except Per Capita)

Fiscal Year	General Obligation Bonded Debt	State Taxable Personal Income (1)	Ratio of General Bonded Debt to Taxable Personal Income	General Bonded Debt Per Capita (2)
2009	$ 452,982	$ 25,361,761	1.79%	$ 728
2008	454,470	25,967,973	1.75%	732
2007	457,255	33,214,231	1.38%	738
2006	461,274	25,051,130	1.84%	744
2005	463,390	23,609,221	1.96%	749
2004	469,123	19,956,789	2.35%	759
2003	473,785	16,395,915	2.89%	768
2002	486,465	15,083,109	3.23%	791
2001	480,443	16,026,774	3.00%	785
2000	527,299	15,030,104	3.51%	864

* State Taxable Personal Income is not available for the 2010 year, so the data reported here is for the ten years 2000 - 2009.

(1) Source: Vermont Department of Taxes.
(2) See Statistical Section Table 10 for population statistics.

STATE OF VERMONT

Statistical Section - Table 10
Demographic and Economic Statistics
Population, Per Capita Personal Income, Civilian Labor Force,
Public School Enrollment, and Motor Vehicle Registration Data
Last Ten Years*

	Population [1]				Per Capita Personal Income [1]		
Year	U.S.	Change From Prior Period	State of Vermont	Change From Prior Period	U.S.	State of Vermont	Vermont as a percentage of U.S.
2009	307,006,550	0.86%	621,760	0.11%	$ 39,626	$ 39,021	98.47%
2008	304,374,846	0.93%	621,049	0.09%	$ 40,673	$ 39,236	96.47%
2007	301,579,895	1.00%	620,460	0.08%	39,458	38,012	96.34%
2006	298,593,212	0.96%	619,985	0.19%	37,698	36,035	95.59%
2005	295,753,151	0.92%	618,814	0.11%	35,424	33,446	94.42%
2004	293,045,739	0.94%	618,145	0.26%	33,881	32,733	96.61%
2003	290,326,418	0.88%	616,559	0.26%	32,271	31,025	96.14%
2002	287,803,914	0.95%	614,950	0.46%	31,461	30,018	95.41%
2001	285,081,556	1.03%	612,153	0.37%	31,145	29,480	94.65%
2000	282,171,957	1.12%	609,903	0.86%	30,318	28,183	92.96%

*Most of the information for this table is not available for the 2010 year, so the data reported here is for the ten years 2000 - 2009. Some data previously reported for prior years has been modified to reflect updated estimates.

1. Source: Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce. Data release date 10/21/2009.

2. Source: Local Area Unemployment Statistics, Vermont Department of Labor, Economic & Labor Market Information; Not Seasonally Adjusted. Data release date 10/21/2009.

3. Source: Vermont Department of Education, "Elementary/Secondary Public School Enrollment."

4. Source: Vermont Department of Motor Vehicles, All Registered Vehicle Types; includes autos, trucks, motorcycles, buses, state & municipal, and dealer vehicles; data is on a calendar year basis.

Civilian Labor Force [2]					
State Employed	State Unemployed	State Total	State Unemploy-ment Rate	**Public School Enrollment[3]**	**Motor Vehicles Registered[4]**
334,900	24,800	359,700	6.9%	92,572	617,490
341,300	16,000	357,300	4.5%	94,114	624,306
340,800	13,900	354,700	3.9%	95,481	623,231
342,400	13,300	355,700	3.7%	96,636	621,685
336,600	12,200	348,800	3.5%	98,361	617,642
334,200	12,900	347,100	3.7%	99,104	609,852
331,300	15,500	346,800	4.5%	99,978	601,748
331,800	13,900	345,700	4.0%	101,180	588,906
330,100	11,100	341,200	3.3%	102,049	577,406
326,700	9,100	335,800	2.7%	104,559	564,165

STATE OF VERMONT

Statistical Section - Table 11
Demographic and Economic Information
Annual Average Non-Farm Employment By Industry
for the Years 2009 and 2000

	2009			2000		
	Employees	**Rank**	**Percent of Total**	**Employees**	**Rank**	**Percent of Total**
Total non-farm employment	**318,600**		**100.0%**	**319,050**		**100.0%**
Private total	**264,050**		**82.9%**	**269,650**		**84.5%**
Natural resources and mining	800		0.3%	1,100		0.3%
Construction	13,500	7	4.2%	14,900	7	4.7%
Manufacturing:						
Durable goods	22,250	5	7.0%	33,850	3	10.6%
Nondurable goods	8,950		2.8%	12,550	8	3.9%
Wholesale trade	9,800	10	3.1%	9,800		3.1%
Retail trade	37,900	2	11.9%	39,650	1	12.4%
Transportation, warehousing, and utilities	8,300		2.6%	8,650		2.7%
Information	5,500		1.7%	6,800		2.1%
Financial activities:						
Finance and insurance	9,400		3.0%	9,300		2.9%
Real estate and rental and leasing	3,050		1.0%	3,050		1.0%
Professional and business services:						
Professional and technical services	13,050	9	4.1%	12,300	9	3.9%
Management of companies and enterprises	22,000	6	6.9%	20,800	5	6.5%
Administrative and waste services	8,600		2.7%	8,200		2.6%
Educational and health services:						
Education services	13,200	8	4.1%	11,950	10	3.7%
Healthcare and social assistance	46,700	1	14.7%	34,100	2	10.7%
Leisure and hospitality:						
Arts, entertainment, and recreation	3,800		1.2%	3,300		1.0%
Accommodation and food services	27,750	3	8.7%	29,650	4	9.3%
Other services, except public administration	9,500		3.0%	9,700		3.0%
Government total	**54,550**		**17.1%**	**49,400**		**15.5%**
Federal	6,550		2.1%	6,050		1.9%
State government education	8,400		2.6%	7,300		2.3%
Local government education	9,400		3.0%	8,850		2.8%
Other state government	22,950	4	7.2%	20,650	6	6.5%
Other local government	7,250		2.3%	6,550		2.1%

Source: Vermont Department of Labor, Labor Market Information, data release date 09/21/10

Note - Data for specific businesses that comprise the top employers in the state is not available, due to confidentiality regulations; thus, information by industry is presented.

STATE OF VERMONT
Statistical Section - Table 12
Operating Information
Full-Time Equivalent State Government Employees by Function/Program
Last Ten Years

Function/Program	2010[4]	2009	2008	2007	2006	2005	2004	2003	2002	2001
General Government										
Administration	5	6	5	4	4	4	3	11	12	12
Auditor of Accounts	12	12	12	11	11	11	12	12	12	10
Buildings & General Services	353	382	427	417	424	396	399	419	422	390
Finance & Management	31	40	47	37	39	36	38	32	35	30
Executive (Governor's) Office	10	13	18	18	17	17	17	16	19	18
Information & Innovation[1]	72	53	61	57	50	49	51	0	0	0
Libraries	26	29	32	31	34	34	34	34	33	34
Lieutenant Governor	2	2	2	2	2	2	2	2	2	2
Human Resources (Personnel)	37	47	52	59	57	56	56	54	56	52
State Treasurer	34	35	35	36	37	34	33	29	30	29
Taxes	155	169	181	176	183	184	183	179	189	185
Vermont Labor Relations Board	2	2	2	2	2	2	2	2	2	2
VOSHA Review Board	0	1	1	1	1	1	1	1	1	1
Protection to Persons & Property										
Agriculture, Food & Markets	83	90	98	96	95	89	87	81	85	84
Attorney General	72	71	74	69	72	68	67	62	69	57
BISHCA	108	111	113	108	105	99	93	89	84	83
Criminal Justice Training Council	7	12	10	10	10	11	8	6	7	8
Defender General	66	67	69	63	61	62	60	55	56	55
Labor & Industry[2,3]	0	n/a	n/a	n/a	n/a	43	85	82	82	77
Liquor Control	51	54	56	54	56	54	55	54	56	55
Military	122	127	127	117	118	109	111	104	112	101
Public Safety[3]	566	588	596	599	602	568	511	480	491	490
Public Service Dept.	54	50	50	52	49	47	51	51	51	50
Public Service Board	25	26	26	24	27	25	25	24	23	24
Secretary of State	64	63	52	52	51	48	50	46	43	47
State's Attorneys & Sheriffs	155	161	161	155	154	153	154	145	148	150
Vermont Human Rights Commission	5	5	5	5	5	5	5	5	5	5
Vermont Lottery Commission	20	21	19	18	19	19	19	19	19	20
VT Fire Service Training Council[2]	n/a	n/a	n/a	n/a	n/a	n/a	7	8	8	7
Human Services [2]										
Children & Families	924	978	970	947	941	932	n/a	n/a	n/a	n/a
PATH	n/a	n/a	n/a	n/a	n/a	n/a	414	406	422	415
Office of Child Care	n/a	n/a	n/a	n/a	n/a	n/a	124	119	119	117
Social & Rehabilitation Services	n/a	n/a	n/a	n/a	n/a	n/a	400	377	398	384
Vt Office of Health Access	91	92	94	79	65	43	n/a	n/a	n/a	n/a
Aging & Disability	258	287	310	288	275	268	216	201	196	186
Corrections	1,012	1,046	1,116	1,150	1,146	1,129	1,101	947	967	942
Economic Opportunity	n/a	n/a	n/a	n/a	n/a	n/a	6	8	8	9
Health	460	515	568	753	749	715	496	483	472	465
Developmental & MH Services	249	239	242	n/a	n/a	n/a	96	102	104	102
Vermont State Hospital	n/a	n/a	n/a	n/a	n/a	n/a	178	173	152	152
Human Services	108	100	101	95	89	59	54	52	61	57
Governor's Commission on Women	3	3	3	3	3	3	3	3	3	3
Veteran's Home (discrete component unit)	200	211	207	204	190	188	195	192	193	166
Employment & Training										
Department of Labor[3]	287	277	278	276	281	250	290	315	324	325
General Education										
Department of Education	157	183	185	194	196	182	181	174	185	170
Natural Resources										
Environmental Board	28	30	31	29	30	29	31	30	32	32
Environmental Conservation	254	265	287	285	286	273	264	256	257	265
Fish & Wildlife	122	126	130	124	119	121	118	117	116	117
Forests, Parks & Recreation	99	109	115	113	113	111	119	115	118	120
Natural Resources	40	53	60	56	58	52	48	48	36	37
Water Resources Board	n/a	n/a	n/a	n/a	n/a	3	4	4	4	4
Commerce & Community Development										
Agy of Commerce & Community Dev	81	87	98	97	93	101	95	92	98	100
Transportation										
Agency of Transportation	1,223	1,237	1,257	1,255	1,242	1,255	1,287	1,261	1,241	1,229
Total	7,733	8,075	8,383	8,221	8,161	7,940	7,936	7,573	7,658	7,475

[1] New department formed from consolidating GOVNet program (previously in Administration) and Communication & Information Technology program (previously in Buildings & General Services).

[2] In 2005 the Agency of Human Services reorganized with some department consolidations and other new departments established. Also in 2005 the Vermont Fire Service Training Council and portions of the Department of Labor and Industry were merged into the Department of Public Safety.

[3] In 2006 portions of the Department of Labor and Industry merged with the Department of Employment & Training and the new consolidated department was named the Department of Labor.

[4] Preliminary Data

Source: Vermont Department of Human Resources - State of Vermont Workforce Report

STATE OF VERMONT

Statistical Section - Table 13
Operating Information
Operating Indicators by Function
Last Seven Years

Function	2010	2009	2008	2007	2006	2005	2004
General Government							
Sq ft of State owned facilities[1]	3,339,135	3,377,312	3,941,153	3,928,255	3,377,476	3,035,161	3,118,618
State Pension Plan Membership[2]	45,507	45,354	44,947	44,015	43,171	42,097	41,424
# of State Employees (full-time and part-time)[3]	7,733	8,075	8,383	8,352	8,292	8,069	7,935
Protection to Persons & Property[4]							
# of State Agency Law Enforcement Officers	N/A	N/A	397	399	399	405	393
# of Sherrifs Dept Law Enforcement Officers	N/A	N/A	117	119	132	133	117
Human Services[5]							
Total Corrections Population	11,262	11,215	11,148	11,703	12,303	13,528	13,824
Immunization Coverage, Ages 19-35 months	N/A	60%	65%	67%	75%	N/A	N/A
Bed nights in Homeless Shelters	130,939	120,464	100,473	112,715	98,786	101,647	100,028
Employment & Training[6]							
# of Unemployment Compensation Payments	N/A	629,794	374,278	318,235	304,612	295,674	309,121
General Education[7]							
Statewide average expenditure per Student	N/A	14,903	14,076	13,287	12,624	11,759	11,113
Total Local Education Agencies	N/A	349	352	352	353	351	349
Natural Resources							
Gallons of Maple Syrup Production[8]	890,000	920,000	700,000	450,000	460,000	410,000	500,000
# of Moose Permit Applications[9]	N/A	14,228	13,839	13,199	11,987	13,091	13,382
Commerce & Community Development							
Net Change in Employer Businesses[10]	N/A	159	(258)	(249)	(18)	N/A	N/A
Median Purchase Price of New Home[11]	N/A	190,000	200,000	201,000	197,000	182,000	165,000
# of Skier Visits[12]	4.1 Million	4.0 Million	4.3 Million	3.8 Million	4.1 Million	4.4 Million	4.2 Million
Transportation[13]							
Total Plowing Hours	N/A	110,770	144,488	174,022	123,674	339,987	182,690
Structurally Deficient Bridges	N/A	178	190	192	197	193	187
Paving Projects Mileage	N/A	169	109	113	122	90	117

N/A - Information not available at time of printing

Note: Information for these statistics is not available for years prior to 2004, when the State began compiling this data.

Sources:

[1] VT Department of Buildings & General Services, Space Book

[2] VT Office of the State Treasurer

[3] VT Department of Human Resources

[4] VT Department of Public Safety

[5] VT Agency of Human Services

[6] VT Department of Labor

[7] VT Department of Education

[8] US Department of Agriculture

[9] VT Agency of Natural Resources

[10] bls.gov

[11] housingawareness.org

[12] skivermont.com

[13] VT Agency of Transportation

STATE OF VERMONT
Statistical Section - Table 14
Operating Information
Capital Asset Statistics by Function
Last Seven Years

Function	2010	2009	2008	2007	2006	2005	2004
General Government							
Dept of Buildings & General Services:							
Land holdings (acres)	2,809.13	2,874.86	2,923.90	2,923.90	2,915.90	2,851.12	2,981.68
State-owned space (square feet)	3,339,135	3,377,312	3,941,153	3,928,255	3,377,476	3,035,161	3,118,618
Protection to Persons & Property							
Number of state police vehicles	490	405	420	412	413	383	376
Number of armory locations	22	22	20	20	20	20	20
Number of agriculture research stations	30	31	28	27	25	23	20
Human Services							
Dept of Health - Number of lab instruments (analyzer, module, counters, meters, etc.)	182	122	103	105	85	71	N/A
Dept of Children & Families - Number of vans	25	26	30	25	23	23	23
Department of Corrections - Number of vehicles	0	2	3	11	11	11*	85
Employment & Training							
Department of Labor - Number of capitalized computer assets	17	19	19	10	29	27	27
General Education							
Department of Education - Number of capitalized computer assets	27	20	21	16	16	12	10
Natural Resources							
Number of dams	90	81	99	96	94	93	88
Agency of Natural Resources:							
Number of vehicles	218	224	214	221	204	309	345
Number of building & Improvement Assets	442	429	441	430	423	410	405
Commerce & Community Development							
Number of historic sites	21	21	18	17	16	17	17
Number of covered bridges	7	7	6	6	7	6	6
Number of underwater preserves	100+	100+	100+	100+	100+	100+	100+
Transportation							
Number of bridges over 20 feet	1,078	1,077	1,077	1,077	1,077	1,077	1,072
State highway miles	2,704	2,704	2,707	2,708	2,708	2,708	2,704
Agency of Transportation - buildings (square feet)	1,328,717	1,326,407	1,307,415	1,289,171	1,250,673	1,233,099	1,226,781

* During FY05 most vehicles were transferred to the new Fleet Program
Note: Information for these statistics is not available for years prior to 2004, when the State began compiling